

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**



**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

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**CITY OF ISLE OF PALMS, SOUTH CAROLINA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**YEAR ENDED JUNE 30, 2014**

MAYOR

Dick Cronin

CITY COUNCIL MEMBERS

Barbara Bergwerf

Marty Bettelli

Ryan Buckhannon

Jimmy Carroll

Sandy Ferencz

Patrick Harrington

Michael Loftus

Jimmy Ward

APPOINTED OFFICIALS

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





# Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Isle of Palms, South Carolina (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Isle of Palms, South Carolina, as of June 30, 2014, 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.

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WWW.GFHLLP.COM · INFO@GFHLLP.COM

864.232.5204 PH · 864.232.5532 FAX · 211 EAST BUTLER ROAD, SUITE C-6 · MAULDIN, SC 29662

843.735.5805 PH · 1985 RIVIERA DRIVE, SUITE 103-203 · MT. PLEASANT, SC 29464

864.451.7381 PH · 800 EAST WASHINGTON STREET, SUITE D · GREENVILLE, SC 29601

### ***Pending Implementation of Governmental Accounting Standards Board Statement on Pensions***

As discussed in Note IV.G, the Governmental Accounting Standards Board recently issued Statement No. 68, "Accounting and Financial Reporting for Pension" ("Statement"). This Statement, which will be adopted by the City for the fiscal year ended June 30, 2015, will require the City to report a net pension liability on its applicable financial statements for its participation in the South Carolina Retirement System and the Police Officers' Retirement System ("Plans"). Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the City's share of the net pension liability associated with these Plans will decrease the City's governmental activities beginning net position by approximately \$8,108,000. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
October 10, 2014



## CITY OF ISLE OF PALMS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2014

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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, 2014 ("FY 2014" or "2014") compared to fiscal year ended June 30, 2013 ("FY 2013" or "2013"). The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to not only consider the information presented here but also the information provided in the financial statements and notes to the financial statements to enhance their understanding of the City's overall financial performance.

#### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$25,157,000 (*net position*). Of this amount, approximately \$20,557,000 and \$4,600,000 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 \$7,265,000 for its governmental activities and approximately \$533,000 for its business-type activities.
- The City's total revenues of approximately \$12,663,000 exceeded total expenses of approximately \$11,639,000, resulting in an increase from the prior fiscal year of approximately \$1,024,000 in net position.
- At the close of fiscal year 2014, the City's governmental funds reported combined ending fund balances of approximately \$11,249,000, an increase of approximately \$484,000 over the prior year's fund balances. Approximately 22% of the total fund balance, or approximately \$2,474,000, is available for spending at the City's discretion (*unassigned fund balance*). This unassigned fund balance equates to approximately 28% of total General Fund expenditures for the year ended June 30, 2014.
- The City added capital assets of approximately \$906,000 during the current fiscal year. Capital asset additions included a Mack garbage truck, vehicles, improvements to the Marina watersports dock and various other capital assets. Capital asset additions were offset by depreciation expense of approximately \$1,328,000 and \$149,000 for governmental and business-type activities, respectively. As depreciation expense was more than the capital asset additions for the year, total capital assets decreased by approximately \$571,000 (2%) from fiscal year 2013.
- The City's total debt decreased by approximately \$1,301,000 (10%) during the current fiscal year due to normally scheduled debt service payments. The City refinanced/refunded one of the Marina bonds which saved approximately \$174,000 in interest expense over the remaining life of the bonds.
- Standard and Poor's increased the City's bond rating from "AA" to "AA+" in September 2014. The City continues to hold an "Aa1" rating from Moody's.
- The City implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" ("GASB #65" or "Statement") in 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB #65 supplements and extends the reach of GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", which was adopted by the City in 2013. In particular, GASB #65 requires that bond issuance costs (as defined) should be recognized as an expense in the period incurred. The City has written off bond issuance costs of approximately \$43,000 (in its enterprise fund/business-type activities) as a cumulative change in accounting principle adjustment to beginning net position for fiscal year 2014. The City also had a former liability that was affected by the implementation of GASB #65 which was its deferred revenue liability (for unavailable property taxes) in its governmental funds balance sheet. Under GASB #65, deferred revenue that is not available should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

# CITY OF ISLE OF PALMS, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Financial Statements

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

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

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

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

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

The City maintains eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, Municipal Accommodations Fee Fund, State Accommodations Tax Fund, Hospitality Tax Fund and Beach Restoration Fund – since they are considered major funds. Information from the other five (5) governmental funds is combined into aggregated presentations – non-major governmental funds. Individual fund data for each of these non-major governmental funds are provided in the form of combining schedules elsewhere in this report. The governmental fund financial statements can be found as listed in the table of contents.

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2014**

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**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**Financial Statements (Continued)**

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

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

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Figure A-1 Major Features of the City’s Government-Wide and Fund Financial Statements				
	Fund Financial Statements			
	<u>Government-Wide Financial Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private businesses, in the City’s case, all activities related to the marina.	Instances in which the City is the trustee or agent for someone else’s resources, in the City’s case, the 1% Volunteer Fire Department Fund.
Required Financial Statements	<ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet.</li> <li>▪ Statement of Revenues, Expenditures, and Changes in Fund Balances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Revenues, Expenses and Changes in Net Position.</li> <li>▪ Statement of Cash Flows.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Fiduciary Assets and Liabilities.</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All balance sheet elements - both financial and capital, and short-term and long-term.	All balance sheet elements that are primarily financial and short-term – no capital assets or long-term obligations included.	All balance sheet elements - both financial and capital and short-term and long-term.	All balance sheet elements - both short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2014**

**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, 2014 compared to June 30, 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013 ^	2014	2013 ^
<b>Assets:</b>						
Current and Other Assets	\$ 12,870,108	12,125,039	568,953	718,010	13,439,061	\$ 12,843,049
Capital Assets, Net	19,195,572	19,743,686	5,836,750	5,859,754	25,032,322	25,603,440
<b>Total Assets</b>	<b>32,065,680</b>	<b>31,868,725</b>	<b>6,405,703</b>	<b>6,577,764</b>	<b>38,471,383</b>	<b>38,446,489</b>
<b>Liabilities:</b>						
Long-Term Obligations	9,807,231	10,643,490	1,770,000	2,195,000	11,577,231	12,838,490
Other Liabilities	1,701,234	1,408,891	36,206	66,698	1,737,440	1,475,589
<b>Total Liabilities</b>	<b>11,508,465</b>	<b>12,052,381</b>	<b>1,806,206</b>	<b>2,261,698</b>	<b>13,314,671</b>	<b>14,314,079</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	9,720,572	9,698,686	4,066,750	3,664,754	13,787,322	13,363,440
Restricted	3,571,119	3,162,187	-	-	3,571,119	3,162,187
Unrestricted	7,265,524	6,955,471	532,747	651,312	7,798,271	7,606,783
<b>Total Net Position</b>	<b>\$ 20,557,215</b>	<b>19,816,344</b>	<b>4,599,497</b>	<b>4,316,066</b>	<b>25,156,712</b>	<b>\$ 24,132,410</b>

^ Restated to reflect the implementation of GASB #65 which resulted in the removal of \$43,397 in bond issuance costs.

The City's total assets of approximately \$38,471,000 decreased slightly from the prior year due to a decrease in net capital assets that was almost fully offset by increases in cash and other assets. Total liabilities as of June 30, 2014 decreased by approximately \$1,000,000 compared to the prior year due primarily to a decrease in long-term obligations resulting from normally scheduled debt service payments.

The City's net position increased approximately \$1,024,000 during the current fiscal year as current year revenues exceeded current year expenses. Please see discussion following the next table regarding this increase.

The City's assets exceeded liabilities by approximately \$25,157,000 as of June 30, 2014. Approximately 55% of total net position (\$13,787,000) 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 14% of net position (\$3,571,000) represents resources that are subject to external restrictions on how they may be used. This portion of the net position is restricted primarily for special revenue programs which are restricted by the revenue source.

The remaining portion of the City's net position (31% or \$7,798,000) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table shows the changes in the City's net position for 2014 compared to 2013:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,454,298	3,184,103	394,416	379,251	3,848,714	\$ 3,563,354
Operating Grants and Contributions	40,000	40,000	-	-	40,000	40,000
Capital Grants and Contributions	90,155	1,373,650	-	-	90,155	1,373,650
General Revenues:						
Taxes	8,415,522	7,998,701	-	-	8,415,522	7,998,701
Other	268,932	359,437	454	1,591	269,386	361,028
Total Revenues	<u>12,268,907</u>	<u>12,955,891</u>	<u>394,870</u>	<u>380,842</u>	<u>12,663,777</u>	<u>13,336,733</u>
Expenses:						
General Government	1,680,272	1,566,367	-	-	1,680,272	1,566,367
Public Safety	5,944,099	5,343,896	-	-	5,944,099	5,343,896
Building, Planning and Engineering	343,887	340,510	-	-	343,887	340,510
Public Works	1,513,349	1,475,028	-	-	1,513,349	1,475,028
Recreation	1,134,625	1,094,636	-	-	1,134,625	1,094,636
Non-Departmental	272,088	264,500	-	-	272,088	264,500
Interest on Long-Term Obligations	402,864	438,771	-	-	402,864	438,771
Marina	-	-	348,291	372,948	348,291	372,948
Total Expenses	<u>11,291,184</u>	<u>10,523,708</u>	<u>348,291</u>	<u>372,948</u>	<u>11,639,475</u>	<u>10,896,656</u>
Change in Net Position Before Transfers	977,723	2,432,183	46,579	7,894	1,024,302	2,440,077
Transfers	(236,852)	(172,831)	236,852	172,831	-	-
Change in Net Position	<u>740,871</u>	<u>2,259,352</u>	<u>283,431</u>	<u>180,725</u>	<u>1,024,302</u>	<u>2,440,077</u>
Net Position - Beginning of Year	19,816,344	17,556,992	4,359,463	4,178,738	24,175,807	21,735,730
Cumulative Change in Accounting Principle	-	-	(43,397)	-	(43,397)	-
Net Position - Beginning of Year, Restated	<u>19,816,344</u>	<u>17,556,992</u>	<u>4,316,066</u>	<u>4,178,738</u>	<u>24,132,410</u>	<u>21,735,730</u>
Net Position - End of Year	<u>\$ 20,557,215</u>	<u>19,816,344</u>	<u>4,599,497</u>	<u>4,359,463</u>	<u>25,156,712</u>	<u>\$ 24,175,807</u>

*Governmental Activities:* Governmental activities had a net increase in net position of approximately \$741,000 in 2014.

Compared to the prior year, total governmental activities revenue decreased by approximately \$687,000 or 5%. Key changes compared to the prior year were as follows:

- Revenues (charges for services) related to licenses and permits increased by approximately \$154,000, or 6%, primarily due to increased building activity and, in particular, to a new shopping center and major improvements to a wastewater treatment plant.
- Revenues (charges for services) related to parking increased by approximately \$90,000 due in part to an increase in lease revenue on the municipal lots and increased revenue from the parking kiosks, which began accepting credit and debit cards in 2014.
- General revenues resulting from tourism (accommodations and hospitality taxes combined) were up approximately \$366,000 or 12% due to continued strong tourism activity.
- Revenue from Grants and Contributions decreased by approximately \$1,283,000 because the prior year included large contributions for the City's acquisition of land for Mayor Carmen R. Bunch Park at 1801 Palm Boulevard.

## CITY OF ISLE OF PALMS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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#### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Expenses related to total governmental activities increased by approximately \$767,000, or 7%, from the prior year. Key changes as compared to the prior year were as follows:

- Salary and fringe expense increased by approximately \$275,000, or 5%. The increase in compensation expense was due in part to mid-year wage adjustments in the Fire Department and an increase in the merit pool for all employees.
- Professional services expense increased \$58,000 due to increases in legal expense and services related to parking management and beach maintenance.
- Contracted services expense for dispatch increased by approximately \$300,000 from the prior year, reflecting the new expense associated with the City's support of Charleston County Consolidated Dispatch.
- Tourism promotion expense increased approximately \$59,000 due primarily to higher contributions to the Charleston Convention and Visitors Bureau ("CVB") resulting from increased state accommodations tax revenue. The CVB receives approximately 30% of the City's state accommodations tax revenue in accordance with state law.

**Business-Type Activities:** Net position related to business-type activities (i.e., the marina) increased by approximately \$283,000. This increase was due in part to budgeted transfers in of \$237,000 from the State Accommodations Tax Fund which were used to fund costs related to debt service and improvements to the watersports dock.

#### 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, 2014, the City's governmental funds reported a combined ending fund balance of approximately \$11,249,000, an increase of approximately \$484,000, or 4%, over the prior year's combined fund balance.

Approximately 22% of the total governmental fund balance (\$2,474,000) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it has already been constrained: (1) for tourism-related expenditures or operating expenses incurred to serve tourists (\$3,258,000), (2) for recovery efforts on future disasters (\$2,152,000), (3) for beach maintenance (\$496,000), (4) for capital projects (\$1,926,000), (5) for debt service (\$219,000) 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 (\$724,000).

The General Fund is the primary operating fund of the City. At June 30, 2014, the total fund balance was approximately \$5,426,000. As a measure of the General Fund's liquidity, it is useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund (\$2,474,000) represents approximately 28% of total General Fund expenditures (\$8,952,000).

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

- Property tax revenue is stable. The City's millage rate was unchanged from the prior year rate of 22.9 mills.
- Total General Fund revenues were up by approximately \$287,000 from the prior year. The most significant increases were:
  - License and permit revenues were up \$154,000 due in general to the overall strengthening economy and in particular to large building projects associated with a shopping center and improvements to a wastewater treatment plant.

## CITY OF ISLE OF PALMS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

- Local option sales taxes increased approximately \$84,000 due to continued economic growth.
- Revenues from use of property related to parking were up approximately \$90,000 due in part to increases in lease revenue on the municipal parking lots and increased revenue from the parking kiosks, which began accepting credit and debit cards in 2014.
- In order to maintain the level of service that residents and visitors expect, the City supplemented General Fund revenues with tourism-related revenues, where appropriate. In fiscal year 2014, \$695,000 of tourism-related revenue was transferred into the General Fund to help pay for public safety and public works efforts required for tourism.

Total General Fund expenditures were approximately \$716,000, or 9%, greater than fiscal year 2013:

- Salary and fringe expense (the largest component of General Fund expenditures) increased by approximately \$275,000, or 5%. The increase was primarily attributable to performance-based merit increases and wage adjustments in the Fire Department.
- Contracted services expense increased \$300,000 as a result of the City's transition to Charleston County Consolidated Dispatch. This support to the County will decrease over the next two years and should be eliminated in fiscal year 2017. This expense is partially offset by savings in personnel costs related to telecommunications.
- The remainder of the increase in general fund expenditures was spread among several expense categories including vehicle fuel and maintenance (up \$17,000), utilities (up \$24,000), general maintenance and equipment repair (up \$18,000), uniforms (up \$9,000), garbage cart procurement (up \$8,000), and professional services (up \$58,000).

The total fund balance of the remaining governmental funds (Capital Projects, Special Revenue, and Non-major Funds) increased by approximately \$333,000 from the prior year. Highlights for these funds were as follows:

- The Capital Projects Fund expended approximately \$273,000 for the purchase of equipment, vehicles, a new generator for City Hall, and various other capital assets. In addition, the Capital Project Fund expended \$105,000 on drainage system maintenance and improvements and approximately \$34,000 in tools and other maintenance. The General Fund transferred approximately \$340,000 into the Capital Projects Fund for future capital expenditures. The ending fund balance in the Capital Projects Fund was approximately \$2,405,000.
- Accommodations-related revenues improved significantly over the prior year with an overall increase of \$297,000 or 12% over fiscal year 2013 revenues. Accommodations funds were expended for various tourism-related efforts, including beach restoration debt service and maintenance, operation of the public restrooms, parking management, purchases of police, fire and public works vehicles, debt service on the recreation center and marina, and special events such as the 4<sup>th</sup> of July fireworks show. The Municipal Accommodations Fee Fund also transferred approximately \$324,000 to the General Fund to offset personnel and other costs in the Police, Fire and Public Works Departments. At June 30, 2014, the Municipal Accommodations Fee Fund had a fund balance of approximately \$1,138,000 while the State Accommodations Tax Fund had a balance of approximately \$1,698,000.
- The fund balance for the Hospitality Tax Fund at June 30, 2014 was approximately \$422,000. Hospitality tax revenues (including interest) were approximately \$620,000 in 2014, up 12% over fiscal year 2013. In 2014, these funds were used to support personnel expenses in the General Fund, Public Safety equipment purchases, debt service on the Fire Station #2 GO bond, parking management and City-wide expenses related to landscaping and street sweeping.
- The Beach Restoration Fund's expenditures for 2014 were primarily related to the final debt service payment on the 2008 bank loan used to finance the 2008 beach nourishment project. The debt service payment was offset 100% by a transfer in from the Municipal Accommodations Fee Fund.

**Proprietary Fund.** The City's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Net position of the Marina Enterprise Fund at the end of fiscal year 2014 amounted to approximately \$4,600,000. Please see "Business-Type Activities" discussion in the previous section for details.



**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)**

**Fiduciary Fund.** The Volunteer Fire Department Fund is used by the City to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by fire insurance companies. Agency funds are custodial in nature and do not present results of operations. The Fiduciary Fund had amounts held in custody for others of approximately \$120,000 at June 30, 2014.

**General Fund Budgetary Highlights:** If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services. The City did not make any budget amendments during fiscal year 2014.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

The City’s capital assets as of June 30, 2014 amounted to approximately \$25,032,000. 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, 2014 and 2013 were as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$ 4,272,896	4,272,896	3,035,786	3,035,786	7,308,682	\$ 7,308,682
Construction in Progress	136,321	135,089	-	9,093	136,321	144,182
Land Improvements	2,127,250	2,203,366	2,195,152	2,261,613	4,322,402	4,464,979
Buildings and Improvements	10,767,162	11,254,146	309,300	342,501	11,076,462	11,596,647
Vehicles and Vehicle Equipment	1,337,376	1,289,160	-	-	1,337,376	1,289,160
Equipment	545,750	575,017	14,156	-	559,906	575,017
Furniture and Fixtures	8,817	14,012	-	-	8,817	14,012
Docks	-	-	282,356	210,761	282,356	210,761
<b>Total</b>	<b>\$ 19,195,572</b>	<b>19,743,686</b>	<b>5,836,750</b>	<b>5,859,754</b>	<b>25,032,322</b>	<b>\$ 25,603,440</b>

The total decrease in the City’s capital assets for fiscal year 2014 was approximately \$571,000 or 2%. The decrease resulted because depreciation expense for the year was higher than capital additions for the year. Major capital asset events during fiscal year 2014 included the following:

- Capital asset additions of approximately \$906,000 consisted primarily of:
  - Mack garbage packer - \$183,000
  - Police vehicles - \$111,000
  - Eleven parking kiosks (used) for Front Beach - \$86,000
  - Paving of 18<sup>th</sup> Avenue (offset by donation from shopping center developer) - \$85,000
  - City Hall generator - \$65,000
  - Fire pickup truck, utility vehicle, jet ski and boat motor - \$55,000
  - New fencing for Clarkin softball field - \$36,000
  - Holiday light displays (partially offset by sponsorships) - \$23,000
  - Purchase of other vehicles, equipment and improvements - \$153,000
  - Renovation of Marina watersports dock - \$109,000
  
- Depreciation expense of approximately \$1,328,000 for governmental activities and \$149,000 for business-type activities.

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

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2014**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

***Debt***

As of June 30, 2014, the City had total outstanding debt of approximately \$11,245,000. 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, 2014 and 2013 were as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Obligation Bonds	\$ 9,475,000	10,045,000	1,770,000	2,195,000	11,245,000	\$ 12,240,000
Bank Loan	-	305,818	-	-	-	305,818
Total	<u>\$ 9,475,000</u>	<u>10,350,818</u>	<u>1,770,000</u>	<u>2,195,000</u>	<u>11,245,000</u>	<u>\$ 12,545,818</u>

The total decrease in the City’s debt for fiscal year 2014 was approximately \$1,301,000 or 10%. Major events during fiscal year 2014 included the following:

- Refinanced/refunded the Series 2008A GOB (which was used to purchase the Marina). Improved interest rate from 5.15% to 1.74%. Principal payments and maturity date were not changed.
- Final payment on bank loan for 2008 beach restoration project.
- Scheduled principal payments on general obligation bonds of approximately \$995,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The City’s statutory debt limit at June 30, 2014 was approximately \$16,680,000. The City had \$8,115,000 of bonded debt subject to the 8% limit and, thus, as of June 30, 2014 had an unused legal debt margin of approximately \$8,565,000.

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

Additional information regarding the City’s long-term obligations can be found in Note III in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The City’s elected officials and staff considered many factors when setting the fiscal year 2015 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 2015 budget projects maintaining a millage rate of 22.9. Given a static millage rate and a decrease in assessment estimates provided by Charleston County, the City conservatively lowered the expected revenues from property taxes by \$106,000 or 2%.
- **Other General Fund Revenues:** Based on 2014 actual results and a planned increase in some business license rates, the City increased the budget for licensing and permit revenues by approximately \$198,000. Additionally, the local option sales tax budget was increased by \$83,000 based on recent collections and a positive economic outlook.
- **Transfers into the General Fund:** The City continues to offset tourism-related expenditures in the General Fund with transfers in from tourism-related funds. The fiscal year 2015 budget includes transfers in of approximately \$1,031,000 to offset public safety and public works expenses related to providing services to tourists. This is an increase over the prior year of approximately \$454,000.

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2014**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)**

- **Tourism-Related Revenues:** Total revenues from State Accommodations Tax, Municipal Accommodations Fee and Hospitality Tax are budgeted based on the most recent collections and an increase in the pass-through by Charleston County of the County accommodations tax. The total fiscal year 2015 budget for these revenues is \$3,351,000, which is a 10% increase over the fiscal year 2014 budget.
- **Salaries and Wages:** The 2015 budget includes a 6% provision for merit-based salary and wage adjustments. The budget also includes the additional expense of three (3) firefighters who were added to the City's workforce during 2014. The increased staffing allows both fire stations to have equivalent personnel on duty at all times.
- **Consolidated Dispatch:** Beginning October 1, 2013, the City joined the Consolidated Dispatch operations of Charleston County. The fiscal year 2015 Police Department budget includes approximately \$253,000 in a personnel expense allocation for this transition.
- **Equipment Replacement Funds:** Beginning in fiscal year 2014, the City began a policy of setting aside funds to cover the purchase of large fire and garbage vehicles and public safety radios to avoid the interest expense associated with municipal lease financing. The 2015 budget includes approximately \$820,000 towards this effort.
- **Beach Restoration:** The 2015 budget includes \$1,265,000 for a shoal management project on the north end of the island. The execution of this project is expected to begin in the fall/winter of 2014 and will be completed prior to the 2015 spring season.

**REQUESTS FOR CITY INFORMATION**

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



# Basic Financial Statements

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,726,624	504,403	\$ 8,231,027
Cash and Cash Equivalents - Restricted	3,476,356	-	3,476,356
Taxes Receivable, Net	91,781	-	91,781
Other Receivables, Net	1,352,328	64,550	1,416,878
Due from Other Governments	188,611	-	188,611
Inventory	34,408	-	34,408
Capital Assets:			
Non-Depreciable	4,409,217	3,035,786	7,445,003
Depreciable, Net	14,786,355	2,800,964	17,587,319
<b>TOTAL ASSETS</b>	<b>32,065,680</b>	<b>6,405,703</b>	<b>38,471,383</b>
<b>LIABILITIES</b>			
Accounts Payable	637,856	5,511	643,367
Other Accrued Liabilities	197,910	15,500	213,410
Court Assessments/Victims' Rights Liabilities	39,512	-	39,512
Accrued Interest	128,347	15,195	143,542
Unearned Revenue	697,609	-	697,609
Long-Term Obligations:			
Due Within One Year	871,341	430,000	1,301,341
Due in More Than One Year	8,935,890	1,340,000	10,275,890
<b>TOTAL LIABILITIES</b>	<b>11,508,465</b>	<b>1,806,206</b>	<b>13,314,671</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,720,572	4,066,750	13,787,322
Restricted For:			
Tourism Related Expenditures	3,258,418	-	3,258,418
Debt Service	219,250	-	219,250
Victims' Services	16,371	-	16,371
Narcotics Program	26,497	-	26,497
Beautification	50,583	-	50,583
Unrestricted	7,265,524	532,747	7,798,271
<b>TOTAL NET POSITION</b>	<b>\$ 20,557,215</b>	<b>4,599,497</b>	<b>\$ 25,156,712</b>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities:							
General Government	\$ 1,680,272	-	40,000	90,155	(1,550,117)	-	\$ (1,550,117)
Public Safety	5,944,099	117,546	-	-	(5,826,553)	-	(5,826,553)
Building, Planning, and Engineering	343,887	2,622,425	-	-	2,278,538	-	2,278,538
Public Works	1,513,349	-	-	-	(1,513,349)	-	(1,513,349)
Recreation	1,134,625	268,905	-	-	(865,720)	-	(865,720)
Non-Departmental	272,088	445,422	-	-	173,334	-	173,334
Interest on Long Term Obligations	402,864	-	-	-	(402,864)	-	(402,864)
<b>Total Governmental Activities</b>	<b>11,291,184</b>	<b>3,454,298</b>	<b>40,000</b>	<b>90,155</b>	<b>(7,706,731)</b>	<b>-</b>	<b>(7,706,731)</b>
Business-Type Activities:							
Marina	348,291	394,416	-	-	-	46,125	46,125
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 11,639,475</b>	<b>3,848,714</b>	<b>40,000</b>	<b>90,155</b>	<b>(7,706,731)</b>	<b>46,125</b>	<b>(7,660,606)</b>
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,594,104	-	3,594,104
Property Taxes Levied for Debt Service Purposes					645,840	-	645,840
Local Option Sales Taxes					628,841	-	628,841
Hospitality Taxes					619,399	-	619,399
Accommodations Taxes					2,927,338	-	2,927,338
Intergovernmental					179,894	-	179,894
Interest Income					13,619	454	14,073
Gain on Disposal of Capital Assets					28,123	-	28,123
Miscellaneous					47,296	-	47,296
Transfers In (Out)					(236,852)	236,852	-
<b>Total General Revenues and Transfers</b>					<b>8,447,602</b>	<b>237,306</b>	<b>8,684,908</b>
<b>CHANGE IN NET POSITION</b>					<b>740,871</b>	<b>283,431</b>	<b>1,024,302</b>
NET POSITION, Beginning of Year, As Previously Reported					19,816,344	4,359,463	24,175,807
Cumulative Change in Accounting Principle - GASB #65					-	(43,397)	(43,397)
NET POSITION, Beginning of Year, As Restated					<u>19,816,344</u>	<u>4,316,066</u>	<u>24,132,410</u>
NET POSITION, End of Year					<u><b>20,557,215</b></u>	<u><b>4,599,497</b></u>	<u><b>\$ 25,156,712</b></u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,554,282	2,151,466
Cash and Cash Equivalents - Restricted	272,543	-
Taxes Receivable, Net	91,781	-
Accounts Receivable	304,146	-
Due From:		
Other Governments	188,611	-
Other Funds	29,450	340,414
Inventory	34,408	-
<b>TOTAL ASSETS</b>	<b><u>\$ 6,475,221</u></b>	<b><u>2,491,880</u></b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 273,470	86,472
Other Accrued Liabilities	197,910	-
Court Assessments/Victims' Rights Liabilities	39,512	-
Due To:		
Other Funds	456,897	-
Unearned Revenue	33,555	-
<b>TOTAL LIABILITIES</b>	<b><u>1,001,344</u></b>	<b><u>86,472</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Property Taxes	47,976	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>47,976</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>		
Nonspendable:		
Inventory	34,408	-
Restricted:		
Victims' Services	-	-
Narcotics Program	-	-
Debt Service	219,250	-
Tourism Related Expenditures	-	-
Beautification	50,583	-
Committed:		
Recovery Effort on Future Disasters	2,151,542	-
Assigned:		
Drainage Improvements	-	479,119
Beach Maintenance	495,755	-
Recreation Center	-	-
Capital Projects	-	1,926,289
Other	-	-
Unassigned	2,474,363	-
<b>TOTAL FUND BALANCES</b>	<b><u>5,425,901</u></b>	<b><u>2,405,408</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 6,475,221</u></b>	<b><u>2,491,880</u></b>

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



<b>MUNICIPAL ACCOM- MODATIONS FEE FUND</b>	<b>STATE ACCOM- MODATIONS TAX FUND</b>	<b>HOSPITALITY TAX FUND</b>	<b>BEACH RESTORATION FUND</b>	<b>NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
-	-	-	-	20,876	\$ 7,726,624
756,232	1,372,953	272,718	664,054	137,856	3,476,356
-	-	-	-	-	91,781
432,157	524,829	91,196	-	-	1,352,328
-	-	-	-	-	188,611
17,653	808	125,856	-	1,310	515,491
-	-	-	-	-	34,408
<b>1,206,042</b>	<b>1,898,590</b>	<b>489,770</b>	<b>664,054</b>	<b>160,042</b>	<b>\$ 13,385,599</b>
27,875	200,119	49,396	-	524	\$ 637,856
-	-	-	-	-	197,910
-	-	-	-	-	39,512
39,855	225	18,514	-	-	515,491
-	-	-	664,054	-	697,609
<b>67,730</b>	<b>200,344</b>	<b>67,910</b>	<b>664,054</b>	<b>524</b>	<b>2,088,378</b>
-	-	-	-	-	47,976
-	-	-	-	-	47,976
-	-	-	-	-	34,408
-	-	-	-	16,371	16,371
-	-	-	-	26,497	26,497
-	-	-	-	-	219,250
1,138,312	1,698,246	421,860	-	-	3,258,418
-	-	-	-	-	50,583
-	-	-	-	-	2,151,542
-	-	-	-	-	479,119
-	-	-	-	-	495,755
-	-	-	-	95,684	95,684
-	-	-	-	-	1,926,289
-	-	-	-	20,966	20,966
-	-	-	-	-	2,474,363
<b>1,138,312</b>	<b>1,698,246</b>	<b>421,860</b>	<b>-</b>	<b>159,518</b>	<b>11,249,245</b>
<b>1,206,042</b>	<b>1,898,590</b>	<b>489,770</b>	<b>664,054</b>	<b>160,042</b>	<b>\$ 13,385,599</b>

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

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

**JUNE 30, 2014**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 11,249,245</b>
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes and other revenues that will be collected in the future, but are not available soon enough to pay for the current period's expenditures are, therefore, deferred in the funds.	47,976
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets was \$29,860,710 and the accumulated depreciation was \$10,665,138.	19,195,572
Accrued interest payable was recognized for governmental activities, but was not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(128,347)
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	(9,475,000)
Compensated Absences	(332,231)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 20,557,215</b>

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



CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<b>GENERAL FUND</b>	<b>CAPITAL PROJECTS FUND</b>
<b>REVENUES</b>		
Property Taxes	\$ 4,279,368	-
Local Option Sales Tax	628,841	-
Hospitality Taxes	-	-
Intergovernmental	287,837	-
Licenses and Permits	2,622,426	-
Fines and Forfeitures	107,971	-
Grant Revenue	40,000	-
Contributions of Cash	-	-
Revenues from Use of Property	445,422	-
Interest	6,082	3,230
Other	294,930	2,500
<b>TOTAL REVENUES</b>	<b>8,712,877</b>	<b>5,730</b>
<b>EXPENDITURES</b>		
Current:		
General Government	930,772	19,230
Public Safety	5,012,941	1,198
Building, Planning, and Engineering	323,227	1,176
Public Works	1,066,961	105,843
Recreation	850,493	12,211
Non-Departmental	36,885	-
Capital Outlay	-	272,597
Debt Service:		
Principal	421,000	-
Interest	309,957	-
<b>TOTAL EXPENDITURES</b>	<b>8,952,236</b>	<b>412,255</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(239,359)</b>	<b>(406,525)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	725,327	340,414
Transfers Out	(340,414)	-
Sale of Capital Assets	5,940	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>390,853</b>	<b>340,414</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>151,494</b>	<b>(66,111)</b>
FUND BALANCES, Beginning of Year	5,274,407	2,471,519
<b>FUND BALANCES, End of Year</b>	<b>\$ 5,425,901</b>	<b>2,405,408</b>

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

<b>MUNICIPAL ACCOM- MODATIONS FEE FUND</b>	<b>STATE ACCOM- MODATIONS TAX FUND</b>	<b>HOSPITALITY TAX FUND</b>	<b>BEACH RESTORATION FUND</b>	<b>NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
-	-	-	-	-	\$ 4,279,368
-	-	-	-	-	628,841
-	-	619,399	-	-	619,399
1,243,477	1,575,918	-	-	-	3,107,232
-	-	-	-	-	2,622,426
-	-	-	-	9,575	117,546
-	-	-	-	-	40,000
-	-	-	5,155	-	5,155
-	-	-	-	-	445,422
1,518	2,121	461	182	25	13,619
-	6,500	-	-	12,270	316,200
<b>1,244,995</b>	<b>1,584,539</b>	<b>619,860</b>	<b>5,337</b>	<b>21,870</b>	<b>12,195,208</b>
45,907	559,172	-	321	877	1,556,279
23,778	25,731	75,930	-	3,708	5,143,286
-	-	378	-	-	324,781
57,242	6,784	66,712	-	-	1,303,542
14,023	41,106	-	-	3,157	920,990
74,892	155,295	-	5,016	-	272,088
187,734	163,538	70,812	-	-	694,681
56,000	-	93,000	305,818	-	875,818
25,844	-	65,237	9,664	-	410,702
485,420	951,626	372,069	320,819	7,742	11,502,167
<b>759,575</b>	<b>632,913</b>	<b>247,791</b>	<b>(315,482)</b>	<b>14,128</b>	<b>693,041</b>
-	-	-	315,482	3,000	1,384,223
(689,255)	(340,636)	(220,726)	-	(30,044)	(1,621,075)
6,922	14,046	-	-	1,215	28,123
(682,333)	(326,590)	(220,726)	315,482	(25,829)	(208,729)
<b>77,242</b>	<b>306,323</b>	<b>27,065</b>	<b>-</b>	<b>(11,701)</b>	<b>484,312</b>
1,061,070	1,391,923	394,795	-	171,219	10,764,933
<b>1,138,312</b>	<b>1,698,246</b>	<b>421,860</b>	<b>-</b>	<b>159,518</b>	<b>\$ 11,249,245</b>

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2014**

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 484,312**

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

Property taxes and other revenues that will be collected in the future, but are not available soon  
enough to pay for the current period's expenditures are, therefore, deferred in the funds. (39,424)

Bond principal payments are expenditures in the governmental funds, but the repayment reduces  
long-term obligations in the Statement of Net Position. 875,818

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. 7,838

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. (39,559)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost  
of those assets that are considered capital asset additions are allocated over their estimated useful lives as  
depreciation expense. This is the amount by which depreciation expense of \$1,327,795 exceeded capital  
asset additions of \$779,681 (which included donated capital assets of \$85,000) in the current period. (548,114)

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 740,871**

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2014

	<u>MARINA</u> <u>ENTERPRISE FUND</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 504,403
Accounts Receivable	64,550
Total Current Assets	<u>568,953</u>
<b>Noncurrent Assets:</b>	
Capital Assets:	
Land	3,035,786
Land Improvements	2,655,808
Buildings and Improvements	846,998
Docks	674,862
Equipment	279,923
Less: Accumulated Depreciation	(1,656,627)
Total Noncurrent Assets	<u>5,836,750</u>
<b>TOTAL ASSETS</b>	<u>6,405,703</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	5,511
Accrued Interest	15,195
Security Deposits	15,500
Bond Payable, Current Portion	430,000
Total Current Liabilities	<u>466,206</u>
<b>Noncurrent Liabilities:</b>	
Bond Payable, Net of Current Portion	1,340,000
<b>TOTAL LIABILITIES</b>	<u>1,806,206</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,066,750
Unrestricted	532,747
<b>TOTAL NET POSITION</b>	<u>\$ 4,599,497</u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<u>MARINA</u> <u>ENTERPRISE FUND</u>
<b>OPERATING REVENUES</b>	
Lease Income	\$ 394,416
<b>TOTAL OPERATING REVENUES</b>	<u><b>394,416</b></u>
<b>OPERATING EXPENSES</b>	
Depreciation	149,486
Insurance	78,723
Professional Services	47,520
Utilities	660
Maintenance and Service Contracts	5,930
Advertising	7,990
Miscellaneous	2,821
<b>TOTAL OPERATING EXPENSES</b>	<u><b>293,130</b></u>
<b>OPERATING INCOME (LOSS)</b>	<u><b>101,286</b></u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Interest Income	454
Interest Expense	(55,161)
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u><b>(54,707)</b></u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>46,579</b>
Transfers In	<u>236,852</u>
<b>CHANGE IN NET POSITION</b>	<b>283,431</b>
NET POSITION, Beginning of Year, As Previously Reported	4,359,463
Cumulative Change in Accounting Principle - GASB #65	(43,397)
NET POSITION, Beginning of Year, As Restated	<u>4,316,066</u>
NET POSITION, End of Year	<u><u>\$ 4,599,497</u></u>

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



**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2014**

	<b>MARINA ENTERPRISE FUND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 405,477
Cash Payments to Suppliers for Goods and Services	(143,390)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>262,087</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfer from Other Funds	236,852
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>236,852</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Bond Proceeds	1,450,000
Principal Paid on Bonds	(1,875,000)
Interest Paid on Bonds	(85,907)
Capital asset additions	(126,482)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(637,389)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Earnings	454
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>454</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(137,996)</b>
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>642,399</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 504,403</u></b>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	\$ 101,286
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	149,486
Change Due to (Increase) Decrease in Operating Assets:	
Other Receivable	11,061
Change Due to Increase (Decrease) in Operating Liabilities:	
Other Payables	254
Net Cash Provided by Operating Activities	<u>\$ 262,087</u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND

JUNE 30, 2014

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	<b>VOLUNTEER FIRE DEPARTMENT</b>
<b>ASSETS</b>	
Cash and Cash Equivalents - Restricted	\$ 119,663
<b>TOTAL ASSETS</b>	<b><u>\$ 119,663</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 77
Due To Volunteer Fire Department	119,586
<b>TOTAL LIABILITIES</b>	<b><u>\$ 119,663</u></b>

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

# CITY OF ISLE OF PALMS, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

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

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

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity’s resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City’s financial statements to be misleading.

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

#### *Major Operations*

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

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" ("GASB #65") in 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB #65 supplements and extends the reach of GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", which was adopted by the City in 2013. In particular, GASB #65 requires that bond issuance costs (as defined) should be recognized as an expense in the period incurred. The City has written off bond issuance costs of approximately \$43,000 (in its enterprise fund/business-type activities) as a cumulative change in accounting principle adjustment to beginning net position for fiscal year 2014. The City also had a former liability that was affected by the implementation of GASB #65 which was its deferred revenue liability (for unavailable – property taxes) in its governmental funds balance sheet. Under GASB #65, deferred revenue that is not available should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

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

YEAR ENDED JUNE 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 were restricted for the nourishment, monitoring, and regulatory compliance related to the 2008 beach restoration project.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The **Capital Projects Fund, a major fund** and a budgeted fund, is used to account for financial resources expended for the acquisition or construction of major capital facilities (other than those financed by the Proprietary 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.

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.

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**Investments**

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.

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

- 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.

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 for all capital assets.



CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

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 and deferred refunding amounts. Bond issuance costs are expensed in the period incurred.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. *Deferred Outflows and Inflows of Resources (Continued)*

In addition to assets, the City's statement of financial position 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 does not currently have any deferred outflows of resources.

In addition to liabilities, the City's statement of financial position 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 government has one type of deferred inflows of resources that arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue – property taxes*, is reported only in the governmental funds balance sheet. This item is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available.

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.

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

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

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

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**8. Fund Balance (Continued)**

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

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

**9. Net Position**

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

**10. Accounting Estimates**

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

**11. Comparative Data**

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2014, none of the City's bank balances of approximately \$3,132,000 (with a carrying value of approximately \$3,118,000) were exposed to custodial credit risk.

*Investments*

As of June 30, 2014, the City had the following investments and maturities:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 8,708,676	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, 2014 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, grants, etc.).

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES**

**A. Deposits and Investments (Continued)**

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

Statement of Net Position	Amount
Cash and Cash Equivalents	\$ 8,231,027
Cash and Cash Equivalents - Restricted	3,476,356
<u>Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund</u>	
Cash and Cash Equivalents	119,663
Total Cash and Investments per Financial Statements	\$ 11,827,046
<u>Notes</u>	
Carrying Value of Deposits	\$ 3,118,370
Investments	8,708,676
Total Deposits and Investments per Notes to the Financial Statements	\$ 11,827,046

**B. Receivables and Unavailable/Unearned Revenue**

*Property Taxes and Other Receivables*

The City's 2013 property taxes were levied on September 30, 2013 and were due beginning on this date based on the assessed valuation on real and personal property (including vehicles) of approximately \$208,500,000 as of January 1, 2013. Property taxes were considered late on January 16, 2014. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

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

Assessed values are established by the Charleston County Tax Assessor and the South Carolina Tax Commission. The City's total tax rate for the 2013 property tax year was 22.9 mills. City property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

B. Receivables and Unavailable/Unearned Revenue (Continued)

*Property Taxes and Other Receivables (Continued)*

The City's taxes receivable, other receivables, and due from other governments consist of the following as of June 30, 2014:

Description	General Fund	Municipal	State	Hospitality Tax Fund	Marina Enterprise Fund	Totals
		Accommodations Fee Fund	Tax Fund			
Property taxes	\$ 95,886	-	-	-	-	\$ 95,886
Allowance for Uncollectibles	(4,105)	-	-	-	-	(4,105)
Local Option Sales Tax	188,611	-	-	-	-	188,611
Accommodations Taxes	33,873	432,157	524,829	-	-	990,859
Hospitality Taxes	-	-	-	91,196	-	91,196
Marina Operations	-	-	-	-	64,550	64,550
MASC Brokers Tax	196,274	-	-	-	-	196,274
Franchise Fees	50,131	-	-	-	-	50,131
State Aid to Subdivisions	19,669	-	-	-	-	19,669
Other	4,199	-	-	-	-	4,199
Net Receivables	\$ 584,538	432,157	524,829	91,196	64,550	\$ 1,697,270

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 (a component of 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, 2014, the various components of unavailable revenue (deferred inflows of resources) and unearned revenue (liability) were as follows:

Description	Fund	Unavailable	Unearned	Total
Property Taxes Receivable	General	\$ 47,976	-	\$ 47,976
Other	General	-	33,555	33,555
Cash Contributions	Beach Restoration	-	664,054	664,054
Total Unavailable/Unearned Revenue		\$ 47,976	697,609	\$ 745,585

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2014, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b><u>Governmental Funds:</u></b>		
General Fund	\$ 29,450	\$ (456,897)
Capital Projects Fund	340,414	-
Municipal Accommodations Fee Fund	17,653	(39,855)
State Accommodations Tax Fund	808	(225)
Hospitality Tax Fund	125,856	(18,514)
Non-major Funds	1,310	-
Totals	<u>\$ 515,491</u>	<u>\$ (515,491)</u>

The Capital Projects receivable of approximately \$340,000 from the General Fund relates to an assignment of funds for future capital projects. The General Fund payable and the Hospitality Tax Fund receivable relate to a correction discovered after the end of the fiscal year. 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, 2014, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Governmental Funds:</u></b>		
General Fund	\$ 725,327	\$ 340,414
Capital Projects Fund	340,414	-
Municipal Accommodations Fee Fund	-	689,255
State Accommodations Tax Fund	-	340,636
Hospitality Tax Fund	-	220,726
Beach Restoration Fund	315,482	-
Non-major Funds	3,000	30,044
<b><u>Proprietary Fund:</u></b>		
Marina Enterprise Fund	236,852	-
Totals	<u>\$ 1,621,075</u>	<u>\$ 1,621,075</u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 4,272,896	-	-	-	\$ 4,272,896
Construction In Progress	135,089	1,232	-	-	136,321
Total Capital Assets, Non-Depreciable	4,407,985	1,232	-	-	4,409,217
Capital Assets, Depreciable:					
Land Improvements	3,475,254	139,053	16,955	-	3,597,352
Buildings and Improvements	15,079,219	74,825	2,660	-	15,151,384
Vehicles and Vehicle Equipment	4,155,600	401,131	267,516	-	4,289,215
Equipment	2,242,855	163,440	65,643	-	2,340,652
Furniture and Fixtures	72,890	-	-	-	72,890
Total Capital Assets, Depreciable	25,025,818	778,449	352,774	-	25,451,493
Less: Accumulated Depreciation for:					
Land Improvements	1,271,888	215,169	16,955	-	1,470,102
Buildings and Improvements	3,825,073	561,809	2,660	-	4,384,222
Vehicles and Vehicle Equipment	2,866,440	352,915	267,516	-	2,951,839
Equipment	1,667,838	192,707	65,643	-	1,794,902
Furniture and Fixtures	58,878	5,195	-	-	64,073
Total Accumulated Depreciation	9,690,117	1,327,795	352,774	-	10,665,138
Total Capital Assets, Depreciable, Net	15,335,701	(549,346)	-	-	14,786,355
Governmental Activities Capital Assets, Net	\$ 19,743,686	(548,114)	-	-	\$ 19,195,572

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

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 172,732	\$ 123,993
Public Safety	306,114	761,254
Building, Planning, and Engineering	-	19,106
Public Works	229,676	213,635
Recreation	71,159	209,807
Total - Governmental Activities	\$ 779,681	\$ 1,327,795

In 2014, the City received a donation for approximately \$85,000 in land improvements.



CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Capital Assets (Continued)

Capital asset activity for the City’s business-type activities for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities:</b>					
Capital Assets, Non-Depreciable					
Land	\$ 3,035,786	-	-	-	\$ 3,035,786
Construction in Progress	9,093	108,787	-	(117,880)	-
Total Capital Assets, Non-Depreciable	<u>3,044,879</u>	<u>108,787</u>	<u>-</u>	<u>(117,880)</u>	<u>3,035,786</u>
Capital Assets, Depreciable					
Land Improvements	2,655,808	-	-	-	2,655,808
Buildings and Improvements	846,998	-	-	-	846,998
Docks	556,982	-	-	117,880	674,862
Equipment	262,228	17,695	-	-	279,923
Total Capital Assets, Depreciable	<u>4,322,016</u>	<u>17,695</u>	<u>-</u>	<u>117,880</u>	<u>4,457,591</u>
Less: Accumulated Depreciation for:					
Land Improvements	394,195	66,461	-	-	460,656
Buildings and Improvements	504,497	33,201	-	-	537,698
Docks	346,221	46,285	-	-	392,506
Equipment	262,228	3,539	-	-	265,767
Total Accumulated Depreciation	<u>1,507,141</u>	<u>149,486</u>	<u>-</u>	<u>-</u>	<u>1,656,627</u>
Total Capital Assets, Depreciable, Net	<u>2,814,875</u>	<u>(131,791)</u>	<u>-</u>	<u>117,880</u>	<u>2,800,964</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,859,754</u>	<u>(23,004)</u>	<u>-</u>	<u>-</u>	<u>\$ 5,836,750</u>

E. Long-Term Obligations

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

Details on the City’s debt as of June 30, 2014 are as follows:

<u>General Obligation Bonds</u>	Principal Outstanding at Year End
\$2,900,000 General Obligation Bonds Series 2003 (“Series 2003”) issued in July 2003 to finance the expansion of the recreation center and was approved through voter referendum and thus is not subject to the 8% debt limit. Principal is payable annually and interest, at 3.55%, semi-annually. Annual debt service requirements range from approximately \$171,000 to \$243,000 through June 2023 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.	\$1,680,000

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

E. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
<b><u>General Obligation Bonds</u></b>	
\$3,650,000 General Obligation Bonds Series 2006 ("Series 2006") issued in August 2006 to defray the cost of constructing and equipping Fire Station 2 and making certain other expenditures related thereto. Principal is payable annually and interest, at 3.99%, semi-annually. Annual debt service requirements range from approximately \$176,000 to \$286,000 through July 2026. Debt service payments were first paid from the prior year residual bond proceeds and then were paid 60% by the Hospitality Tax Fund and 40% by the General Fund.	\$ 2,570,000
\$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.	5,225,000
\$1,000,000 General Obligation Bond Series 2009 ("Series 2009") issued in April 2009 to defray the cost to construct a new marina bulkhead and renovate certain related municipal facilities. Principal is payable annually and interest, at 4.39%, semi-annually. Annual debt service requirements range from approximately \$125,000 to \$165,000 through March 2016 and are being paid by the Marina Enterprise Fund and the State Accommodations Tax Fund	320,000
\$1,450,000 General Obligation Bond Series 2013 ("Series 2013") issued in October 2013 to refund the remaining balance on the \$2,925,000 General Obligation Bond ("Series 2008A") issued in April 2008, which refunded the \$4,250,000 General Obligation Bond ("Series 1999") issued in January 1999 which originally purchased the Marina, was approved through voter referendum, and thus is not subject to the 8% debt limit. Principal is payable annually and interest, at 1.74%, semi-annually. Annual debt service requirements range from approximately \$285,000 to \$308,000 through February 2019 and are being paid by the Marina Enterprise Fund.	<u>1,450,000</u>
<b>Total General Obligation Bonds</b>	<b><u>\$11,245,000</u></b>

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

Interest paid on the debt currently issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities (via the Pool), especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City had no arbitrage liability at June 30, 2014.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or City shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or City voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2014, the City had \$8,115,000 of bonded debt subject to the 8% limit of approximately \$16,680,000 available, resulting in an unused legal debt margin of approximately \$8,565,000.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2014, for the City's governmental and business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
GOB Debt:					
GOB - Series 2003	\$ 1,820,000	-	140,000	1,680,000	\$ 145,000
GOB - Series 2006	2,725,000	-	155,000	2,570,000	165,000
GOB - Series 2008B	5,500,000	-	275,000	5,225,000	300,000
Total GOB Debt	10,045,000	-	570,000	9,475,000	610,000
Bank Loan - 06/08	305,818	-	305,818	-	-
Total GOB Debt and Bank Loan	10,350,818	-	875,818	9,475,000	610,000
Accrued Compensated Absences	292,672	230,223	190,664	332,231	261,341
Total Governmental Activities	\$ 10,643,490	230,223	1,066,482	9,807,231	\$ 871,341
<b>Business-Type Activities:</b>					
GOB Debt:					
GOB - Series 2008A	\$ 1,725,000	-	1,725,000	-	\$ -
GOB - Series 2009	470,000	-	150,000	320,000	155,000
GOB - Series 2013	-	1,450,000	-	1,450,000	275,000
Total GOB Debt	\$ 2,195,000	1,450,000	1,875,000	1,770,000	\$ 430,000

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

In October 2013, the City issued a \$1,450,000 of General Obligation Refunding Bond (Series 2013) to current refund the remaining balance on the \$2,925,000 General Obligation Bond (Series 2008A) issued in April 2008 with an average interest rate of 1.74%. The refunding resulted in approximately \$174,000 debt service savings over the remaining six years and an economic gain of approximately \$153,000. The deferred loss on refunding was not significant and thus has not been recorded in the City's financial statements.

The City incurred interest expense of approximately \$403,000 and \$55,000 for its governmental and business-type activities debt, respectively.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

E. Long-Term Obligations (Continued)

Debt Service Requirements to Maturity

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

Year Ending June 30,	GOB		Totals
	Principal	Interest	
<b><u>Governmental Activities</u></b>			
2015	\$ 610,000	378,498	\$ 988,498
2016	650,000	354,347	1,004,347
2017	690,000	328,606	1,018,606
2018	705,000	301,255	1,006,255
2019	725,000	273,348	998,348
2020-2024	3,855,000	910,905	4,765,905
2025-2028	2,240,000	213,644	2,453,644
Totals	<u>\$ 9,475,000</u>	<u>2,760,603</u>	<u>\$ 12,235,603</u>
<b><u>Business-Type Activities</u></b>			
2015	\$ 430,000	39,728	\$ 469,728
2016	440,000	27,689	467,689
2017	300,000	15,660	315,660
2018	300,000	10,440	310,440
2019	300,000	5,220	305,220
Totals	<u>\$ 1,770,000</u>	<u>98,737</u>	<u>\$ 1,868,737</u>

F. Marina Revenue

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

- The City dock lease – annual income of approximately \$166,000. The lease is through January 31, 2015. The lease can be extended for two additional five year terms.
- Marina store lease – annual income of approximately \$73,000. The lease was renewed through January 31, 2015.
- Marina restaurant lease – annual income of approximately \$83,000. Additional lease income of approximately \$51,000 was also earned. The lease has been renewed through October 31, 2014. There are two additional three year renewal options that could extend the lease term until October 31, 2020.
- Water sports dock lease – annual income of approximately \$21,000. The lease has been renewed through September 30, 2015.

Estimated future annual lease income for the long-term leases in effect as of June 30, 2014 are as follows:

Year Ending June 30,	Amount
2015	\$ 206,462
2016	\$ 5,307

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

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**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, 2014, the City’s premium costs totaled approximately \$199,000. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2013, totaled approximately \$28,412,000.

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, 2014, the City made premium payments totaling approximately \$78,000. 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, 2013, totaled approximately \$48,279,000.

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

**Health Insurance**

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

**B. Pension Disclosures**

***South Carolina Retirement and Police Officers’ Retirement System***

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

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

Both employees and the City are required to contribute to the Plans at rates established and as amended by the PEBA. The City’s contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees’ annual earnings.

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Pension Disclosures (Continued)**

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

	SCRS Rates			SCPORS Rates		
	2012	2013	2014	2012	2013	2014
<u>Employer Rate</u>						
Retirement	9.39%	10.45%	10.45%	11.36%	11.90%	12.44%
Group Life Insurance Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	N/A	N/A	N/A	0.20%	0.20%	0.20%
Total	<u>9.54%</u>	<u>10.60%</u>	<u>10.60%</u>	<u>11.76%</u>	<u>12.30%</u>	<u>12.84%</u>
Employee Rate	<u>6.50%</u>	<u>7.00%</u>	<u>7.50%</u>	<u>6.50%</u>	<u>7.00%</u>	<u>7.84%</u>

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

Year Ended June 30,	SCRS Contributions			SCPORS Contributions		
	Required	% Contributed	% of Covered Payroll	Required	% Contributed	% of Covered Payroll
2014	\$ 182,173	100%	10.60%	\$ 324,387	100%	12.84%
2013	184,263	100%	10.60%	287,209	100%	12.30%
2012	\$ 162,789	100%	9.54%	\$ 262,426	100%	11.76%

**C. Other Postemployment Benefits**

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

In 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" ("GASB #45"). GASB #45 establishes standards for the measurement, recognition and display of Other Post Employment Benefits ("OPEB") expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City adopted GASB #45 in fiscal year 2010. No liability or expenditures are recorded as of June 30, 2014 due to the fact that the City's current OPEB plan requires retirees to pay the full cost of an age adjusted retiree rate rather than a blended group rate.

**D. Beach Restoration**

During 2007, severe beach erosion occurred along approximately one-half mile of the City's seven mile beach. To address this problem, the City is managing a public-private jointly funded effort to restore the eroded beach, thereby protecting the City's greatest natural asset as well as millions of dollars of property. The City's monetary contribution to the project in 2008 consisted of \$200,000 budgeted for beach restoration and an additional \$1,700,000 obtained via a bank loan secured by future municipal accommodations fee revenues, which has been paid in full as of June 30, 2014. Private contributions of approximately \$7,108,000 were received from the affected property owners in 2008. In 2009, the City also received project support from Charleston County for \$900,000 and approximately \$671,000 from the South Carolina Department of Health and Environmental Control Office of Coastal Resource Management ("OCRM"). The OCRM grant was restricted to the area of the project where public access existed.

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Beach Restoration (Continued)**

The City is recognizing the funds received for this public-private jointly funded project (beach restoration and focused erosion) as revenue as the expenditures are incurred (using the City's contribution and grant and loan proceeds first before utilizing the private donations). During 2014, the City incurred expenditures and recognized revenue of approximately \$5,000 resulting in an unearned liability in the financial statements at June 30, 2014 of approximately \$664,000 related to private contributions. The most significant construction phase of the project was substantially completed as of July 2008 with certain required post-project monitoring functions completed during 2009 and 2010.

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

The City intends to execute another Shoal Management Project in November or December of 2014. See Note IV.H "Subsequent Event" for more details.

**E. Commitments and Contingencies**

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2014.

In July 2010, the City entered into a five year contract with a vendor for drainage ditch maintenance on the island. The City has one year remaining under the contract for approximately \$88,000.

**F. Litigation**

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

**G. Pending Implementation of GASB Statement on Pensions**

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" ("Statement"), was issued by the Governmental Accounting Standards Board ("GASB") in June 2012, and is required to be implemented by the City for the fiscal year ended June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered.

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

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**IV. OTHER INFORMATION (CONTINUED)**

**G. Pending Implementation of GASB Statement on Pensions (Continued)**

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

The City has been in communications with the PEBA on the effect of implementing this Statement. Based on recent information provided by the PEBA, it is anticipated that the City's proportionate share of the net pension liability associated with the SCRS and SCPORS will decrease the City's governmental activities beginning unrestricted net position for the year ended June 30, 2015 by approximately \$8,108,000.

**H. Subsequent Event**

In August and September of 2014, the City collected new signed agreements and approximately \$401,000 in new contributions from identified stakeholders towards the execution of a second land-based Shoal Management Project planned for November or December of 2014. The restricted cash account established for the 2008 project had a balance of approximately \$664,000 as of June 30, 2014, and City Council allocated an additional \$200,000 from its Beach Maintenance Fund. These amounts combined with the new contributions add up to the estimated project cost of \$1,265,000 included in the City's fiscal year 2015 budget.



# Required Supplementary Information

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property Taxes	\$ 4,285,921	4,285,921	4,279,368	\$ (6,553)
Local Option Sales Tax	517,000	517,000	628,841	111,841
Intergovernmental	296,425	296,425	327,837	31,412
Licenses and Permits	2,427,300	2,427,300	2,622,426	195,126
Fines	90,000	90,000	107,971	17,971
Interest	9,551	9,551	6,082	(3,469)
Revenues From Use of Properties (Marina excluded)	374,000	374,000	445,422	71,422
Other Revenues	311,550	311,550	300,870	(10,680)
<b>TOTAL REVENUES</b>	<b>8,311,747</b>	<b>8,311,747</b>	<b>8,718,817</b>	<b>407,070</b>
<b>EXPENDITURES</b>				
General Government:				
Mayor and Council	76,376	76,376	78,595	2,219
Administration	697,949	697,949	652,339	(45,610)
Judicial and Legal	173,642	173,642	199,838	26,196
Public Safety:				
Police Department	2,471,449	2,471,449	2,426,422	(45,027)
Fire Department (Note 1)	2,442,914	2,442,914	2,586,519	143,605
Building, Planning, and Engineering	343,144	343,144	323,227	(19,917)
Public Works	1,103,138	1,103,138	1,066,961	(36,177)
Recreation:				
Recreation Department	771,372	771,372	769,126	(2,246)
Recreation Programs	92,750	92,750	81,367	(11,383)
Non-Departmental:				
Parking Meters	63,794	63,794	36,885	(26,909)
Debt Service:				
Principal	421,000	421,000	421,000	-
Interest	309,957	309,957	309,957	-
<b>TOTAL EXPENDITURES</b>	<b>8,967,485</b>	<b>8,967,485</b>	<b>8,952,236</b>	<b>(15,249)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(655,738)</b>	<b>(655,738)</b>	<b>(233,419)</b>	<b>422,319</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	758,233	758,233	725,327	(32,906)
Transfers Out	-	-	(340,414)	(340,414)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>758,233</b>	<b>758,233</b>	<b>384,913</b>	<b>(373,320)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>102,495</b>	<b>102,495</b>	<b>151,494</b>	<b>48,999</b>
FUND BALANCE, Beginning of Year	5,274,407	5,274,407	5,274,407	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 5,376,902</b>	<b>5,376,902</b>	<b>5,425,901</b>	<b>\$ 48,999</b>

Note 1: During fiscal year 2014, City Council approved compensation adjustments for the personnel in the fire department. The budget was not amended for this change

Note: The City's original and final budget for 2014 reflected an expected surplus of \$102,495.

Note: The above schedule reflects the sale of capital assets of \$5,940 in other revenues, but is reflected as an other financing source in the statement of revenues, expenditures, and changes in fund balances - governmental funds.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Accommodations Fee Revenue	\$ 802,000	802,000	886,286	\$ 84,286
County Accommodations Fee Revenue	322,000	322,000	357,191	35,191
Interest	1,740	1,740	1,518	(222)
<b>TOTAL REVENUES</b>	<b>1,125,740</b>	<b>1,125,740</b>	<b>1,244,995</b>	<b>119,255</b>
<b>EXPENDITURES</b>				
Current:				
General Government	57,780	57,780	45,907	(11,873)
Public Safety	58,300	58,300	23,778	(34,522)
Public Works	70,000	70,000	57,242	(12,758)
Recreation:				
Recreation Department	-	-	14,023	14,023
Non-Departmental:				
Public Restrooms	83,930	83,930	74,892	(9,038)
Capital Outlay	286,925	286,925	187,734	(99,191)
Debt Service:				
Principal	56,000	56,000	56,000	-
Interest	25,844	25,844	25,844	-
<b>TOTAL EXPENDITURES</b>	<b>638,779</b>	<b>638,779</b>	<b>485,420</b>	<b>(153,359)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>486,961</b>	<b>486,961</b>	<b>759,575</b>	<b>272,614</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(707,654)	(707,654)	(689,255)	18,399
Sale of Capital Assets	3,500	3,500	6,922	3,422
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(704,154)</b>	<b>(704,154)</b>	<b>(682,333)</b>	<b>21,821</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(217,193)</b>	<b>(217,193)</b>	<b>77,242</b>	<b>294,435</b>
FUND BALANCES, Beginning of Year	1,061,070	1,061,070	1,061,070	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 843,877</b>	<b>843,877</b>	<b>1,138,312</b>	<b>\$ 294,435</b>

Note: The City's original and final budget for 2014 reflected the use of fund balance of \$217,193.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Accommodations Tax Revenue	\$ 1,345,000	1,345,000	1,575,918	\$ 230,918
Interest	2,431	2,431	2,121	(310)
Other	-	-	6,500	6,500
<b>TOTAL REVENUES</b>	<b>1,347,431</b>	<b>1,347,431</b>	<b>1,584,539</b>	<b>237,108</b>
<b>EXPENDITURES</b>				
Current:				
General Government	556,350	556,350	559,172	2,822
Public Safety	59,500	59,500	25,731	(33,769)
Public Works	11,600	11,600	6,784	(4,816)
Recreation:				
Recreation Department	48,000	48,000	41,106	(6,894)
Non-Departmental:				
Public Restrooms	160,985	160,985	155,295	(5,690)
Capital Outlay	303,000	303,000	163,538	(139,462)
<b>TOTAL EXPENDITURES</b>	<b>1,139,435</b>	<b>1,139,435</b>	<b>951,626</b>	<b>(187,809)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>207,996</b>	<b>207,996</b>	<b>632,913</b>	<b>424,917</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(468,084)	(468,084)	(340,636)	127,448
Sale of Capital Assets	3,500	3,500	14,046	10,546
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(464,584)</b>	<b>(464,584)</b>	<b>(326,590)</b>	<b>137,994</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(256,588)</b>	<b>(256,588)</b>	<b>306,323</b>	<b>562,911</b>
FUND BALANCES, Beginning of Year	1,391,923	1,391,923	1,391,923	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,135,335</b>	<b>1,135,335</b>	<b>1,698,246</b>	<b>\$ 562,911</b>

Note: The City's original and final budget for 2014 reflected the use of fund balance of \$256,588.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
HOSPITALITY TAX FUND

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

YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Hospitality Taxes	\$ 583,000	583,000	619,399	\$ 36,399
Interest	710	710	461	(249)
<b>TOTAL REVENUES</b>	<b>583,710</b>	<b>583,710</b>	<b>619,860</b>	<b>36,150</b>
<b>EXPENDITURES</b>				
Current:				
Public Safety	124,020	124,020	75,930	(48,090)
Building, Planning, and Engineering	1,150	1,150	378	(772)
Public Works	69,000	69,000	66,712	(2,288)
Capital Outlay	121,500	121,500	70,812	(50,688)
Debt Service:				
Principal	93,000	93,000	93,000	-
Interest	65,237	65,237	65,237	-
<b>TOTAL EXPENDITURES</b>	<b>473,907</b>	<b>473,907</b>	<b>372,069</b>	<b>(101,838)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>109,803</b>	<b>109,803</b>	<b>247,791</b>	<b>137,988</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(225,201)	(225,201)	(220,726)	4,475
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(225,201)</b>	<b>(225,201)</b>	<b>(220,726)</b>	<b>4,475</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(115,398)</b>	<b>(115,398)</b>	<b>27,065</b>	<b>142,463</b>
FUND BALANCES, Beginning of Year	394,795	394,795	394,795	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 279,397</b>	<b>279,397</b>	<b>421,860</b>	<b>\$ 142,463</b>

Note: The City's original and final budget for 2014 reflected the use of fund balance of \$115,398.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
BEACH RESTORATION FUND

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

YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Contributions	\$ 647,194	647,194	5,155	\$ (642,039)
Interest	573	573	182	(391)
<b>TOTAL REVENUES</b>	<b>647,767</b>	<b>647,767</b>	<b>5,337</b>	<b>(642,430)</b>
<b>EXPENDITURES</b>				
Current:				
General Government	47,767	47,767	321	(47,446)
Non-Departmental	600,000	600,000	5,016	(594,984)
Debt Service:				
Principal	305,818	305,818	305,818	-
Interest	9,664	9,664	9,664	-
<b>TOTAL EXPENDITURES</b>	<b>963,249</b>	<b>963,249</b>	<b>320,819</b>	<b>(642,430)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(315,482)</b>	<b>(315,482)</b>	<b>(315,482)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	315,482	315,482	315,482	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>315,482</b>	<b>315,482</b>	<b>315,482</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
FUND BALANCES, Beginning of Year	-	-	-	-
<b>FUND BALANCES, End of Year</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>

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

## Supplementary Information

## NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

### SPECIAL REVENUE FUNDS

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

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

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

**AISLE OF PALMS FUND** – To account for donations received for the planting of palm trees by the City and funds collected for the purchase of bricks, benches, and palm trees in connection with the Front Beach Enhancement Project.

**RECREATION BUILDING FUND** – To account for donations made to the City’s Recreation Department.





CITY OF ISLE OF PALMS, SOUTH CAROLINA

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	<b>FEDERAL NARCOTICS FUND</b>	<b>STATE NARCOTICS FUND</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Cash and Cash Equivalents - Restricted	8,890	17,607
Due from other funds	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 8,890</u></b>	<b><u>17,607</u></b>
<b>LIABILITIES</b>		
Accounts Payable	\$ -	-
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>		
Restricted	8,890	17,607
Assigned	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>8,890</u></b>	<b><u>17,607</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 8,890</u></b>	<b><u>17,607</u></b>

VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	TOTAL NON-MAJOR FUNDS
-	20,876	-	\$ 20,876
15,623	-	95,736	137,856
1,220	90	-	1,310
<b>16,843</b>	<b>20,966</b>	<b>95,736</b>	<b>\$ 160,042</b>
472	-	52	\$ 524
472	-	52	524
16,371	-	-	42,868
-	20,966	95,684	116,650
16,371	20,966	95,684	159,518
<b>16,843</b>	<b>20,966</b>	<b>95,736</b>	<b>\$ 160,042</b>

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, 2014

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
<b>REVENUES</b>		
Fines and Forfeits	\$ -	-
Interest	2	4
Other	-	-
<b>TOTAL REVENUES</b>	<b>2</b>	<b>4</b>
<b>EXPENDITURES</b>		
Current:		
General Government	-	-
Public Safety	152	28
Recreation	-	-
<b>TOTAL EXPENDITURES</b>	<b>152</b>	<b>28</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(150)</b>	<b>(24)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	-
Transfers Out	-	-
Sale of Assets	-	1,215
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>1,215</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(150)</b>	<b>1,191</b>
FUND BALANCES, Beginning of Year	9,040	16,416
<b>FUND BALANCES, End of Year</b>	<b>\$ 8,890</b>	<b>17,607</b>

VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	TOTAL NON-MAJOR FUNDS
9,575	-	-	\$ 9,575
11	-	8	25
-	1,410	10,860	12,270
<b>9,586</b>	<b>1,410</b>	<b>10,868</b>	<b>21,870</b>
-	877	-	877
3,528	-	-	3,708
-	-	3,157	3,157
3,528	877	3,157	7,742
<b>6,058</b>	<b>533</b>	<b>7,711</b>	<b>14,128</b>
-	-	3,000	3,000
(30,044)	-	-	(30,044)
-	-	-	1,215
(30,044)	-	3,000	(25,829)
<b>(23,986)</b>	<b>533</b>	<b>10,711</b>	<b>(11,701)</b>
40,357	20,433	84,973	171,219
<b>16,371</b>	<b>20,966</b>	<b>95,684</b>	<b>\$ 159,518</b>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>			
<b>PROPERTY TAXES</b>	\$ 4,285,921	4,279,368	\$ (6,553)
<b>LOCAL OPTION SALES TAX</b>	517,000	628,841	111,841
<b>INTERGOVERNMENTAL</b>			
State Aid to Subdivisions	80,000	95,516	15,516
State Accommodations Tax Administrative Fee	97,000	107,943	10,943
State Shared Funds - Alcohol	36,000	40,950	4,950
Intergovernmental Transfers	43,425	43,428	3
Grants	40,000	40,000	-
Total Intergovernmental	<u>296,425</u>	<u>327,837</u>	<u>31,412</u>
<b>LICENSES AND PERMITS</b>			
Business Licenses	693,000	798,342	105,342
Residential Rental Licenses	484,000	469,247	(14,753)
Insurance Licenses	617,000	647,289	30,289
Public Utilities	462,000	485,847	23,847
Building Permits	138,000	188,370	50,370
Telecommunication Licenses	30,000	30,046	46
Alarm Permits	1,200	1,190	(10)
Animal Licenses	2,100	2,095	(5)
Total Licenses and Permits	<u>2,427,300</u>	<u>2,622,426</u>	<u>195,126</u>
<b>FINES AND FORFEITS</b>	90,000	107,971	17,971
<b>INTEREST</b>			
Interest Income	9,504	6,079	(3,425)
Court Generated Interest	47	3	(44)
Total Interest	<u>9,551</u>	<u>6,082</u>	<u>(3,469)</u>
<b>REVENUES FROM USE OF PROPERTIES</b>			
Parking Lot Revenue	150,000	176,073	26,073
Parking Meter Revenue	224,000	269,349	45,349
Total Revenues From Use of Properties	<u>374,000</u>	<u>445,422</u>	<u>71,422</u>
<b>OTHER REVENUES</b>			
Recreation Program Income	108,000	109,657	1,657
Recreation Instructors Income	\$ 155,000	159,249	\$ 4,249

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>OTHER REVENUES (CONTINUED)</b>			
Sale of Assets	\$ 5,000	5,940	\$ 940
Miscellaneous	39,150	22,383	(16,767)
Cart Purchase Revenue	3,600	2,925	(675)
Boat Ramp Fees	700	600	(100)
Kennel Fees	100	116	16
Total Other Revenues	<u>311,550</u>	<u>300,870</u>	<u>(10,680)</u>
<b>TOTAL REVENUES</b>	<u>\$ 8,311,747</u>	<u>8,718,817</u>	<u>\$ 407,070</u>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
<u>Mayor and Council:</u>			
Salaries	\$ 17,000	17,338	\$ 338
Payroll Taxes	1,301	1,326	25
Retirement	1,166	1,202	36
Group Health Insurance	38,405	39,859	1,454
Workers Compensation	319	240	(79)
Membership and Dues	50	-	(50)
Print and Office Supplies	200	411	211
Meetings and Seminars	7,300	8,415	1,115
Vehicle, Fuel, and Oil	500	-	(500)
Telephone	1,000	1,125	125
Insurance	2,135	2,057	(78)
Miscellaneous and Contingency	4,500	4,372	(128)
Citizens and Employee Services	2,500	2,250	(250)
Total Mayor and Council	<u>76,376</u>	<u>78,595</u>	<u>2,219</u>
<u>Administration:</u>			
Salaries - Supervisors	325,067	330,341	5,274
Salaries - Employees	9,524	7,298	(2,226)
Payroll Taxes	25,596	24,965	(631)
Retirement	35,467	35,835	368
Group Health Insurance	29,346	28,660	(686)
Workers Compensation	3,647	3,163	(484)
Print and Office Supplies	16,800	13,047	(3,753)
Bank Service Charges	35,000	4,631	(30,369)
Membership and Dues	4,380	3,920	(460)
Membership and Seminars	6,800	6,254	(546)
Vehicle, Fuel, and Oil	\$ 2,900	2,307	\$ (593)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>GENERAL GOVERNMENT (CONTINUED)</b>			
<u>Administration (continued):</u>			
Electric and Gas	\$ 3,900	4,081	\$ 181
Telephone and Cable	8,628	8,304	(324)
Water and Sewer	2,000	1,505	(495)
Noncapital Tools and Equipment	1,250	1,182	(68)
Maintenance and Service Contracts	32,185	19,061	(13,124)
Machine and Equipment Repair	1,000	540	(460)
Cleaning and Sanitary Supplies	2,000	1,562	(438)
Medical and Lab	800	600	(200)
Advertising	7,500	4,711	(2,789)
Insurance	19,513	18,056	(1,457)
Rent and Leases	8,520	8,145	(375)
Employee Training	10,000	1,000	(9,000)
Professional Services	81,276	98,655	17,379
Election Expenses	2,500	3,195	695
Miscellaneous	22,350	21,321	(1,029)
Total Administration	<u>697,949</u>	<u>652,339</u>	<u>(45,610)</u>
<u>Judicial and Legal:</u>			
Salaries - Full-time	53,298	54,769	1,471
Salaries - Overtime	1,217	2,364	1,147
Salaries - Part-time	18,000	15,041	(2,959)
Payroll Taxes	5,547	5,521	(26)
Retirement	7,687	7,650	(37)
Group Health Insurance	5,774	5,642	(132)
Workers Compensation	337	269	(68)
Print and Office Supplies	4,000	3,773	(227)
Bank Service Charges	-	-	-
Membership and Dues	200	92	(108)
Membership and Seminars	800	411	(389)
Telephone and Cable	3,480	2,645	(835)
Maintenance and Service Contracts	3,800	2,060	(1,740)
Machine and Equipment Repair	-	23	23
Insurance	641	711	70
Employee Training	2,000	1,764	(236)
Professional Services	66,061	96,518	30,457
Non-capital Tools & Equipment	200	171	(29)
Miscellaneous and Contingency	600	414	(186)
Total Judicial and Legal	<u>173,642</u>	<u>199,838</u>	<u>26,196</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>\$ 947,967</u>	<u>930,772</u>	<u>\$ (17,195)</u>

(Continued)



CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
<b>PUBLIC SAFETY</b>			
<u>Police Department:</u>			
Salaries - Supervisors	\$ 1,171,788	1,160,025	\$ (11,763)
Salaries - Employees	82,452	94,668	12,216
Payroll Taxes	95,949	93,263	(2,686)
Retirement	154,547	155,758	1,211
Group Health Insurance	208,145	177,413	(30,732)
Workers Compensation	37,460	28,627	(8,833)
Print and Office Supplies	16,000	14,415	(1,585)
Membership and Dues	1,500	2,240	740
Membership and Seminars	9,100	8,715	(385)
Vehicle, Fuel, and Oil	109,673	105,489	(4,184)
Vehicle Maintenance	30,000	41,775	11,775
Electric and Gas	28,000	30,169	2,169
Telephone and Cable	58,008	41,209	(16,799)
Water and Sewer	4,500	5,560	1,060
Noncapital Tools and Equipment	1,500	(170)	(1,670)
Maintenance and Service Contracts	49,436	50,222	786
Machine and Equipment Repair	9,300	10,127	827
Uniforms	16,515	17,542	1,027
Cleaning and Sanitary Supplies	1,750	1,448	(302)
Medical and Lab	4,000	3,321	(679)
Insurance	65,993	52,650	(13,343)
Rent and Leases	2,400	2,303	(97)
Employee Training	8,980	9,130	150
Professional Services	8,200	11,967	3,767
Contracted Services	291,503	303,957	12,454
Miscellaneous and Contingency	3,750	3,548	(202)
Canine Kennel Expenses	1,000	1,051	51
Total Police Department	<u>2,471,449</u>	<u>2,426,422</u>	<u>(45,027)</u>
<u>Fire Department:</u>			
Salaries - Supervisors	1,234,977	1,341,260	106,283
Salaries - Employees	203,341	266,436	63,095
Salaries - Part Time	48,682	2,828	(45,854)
Payroll Taxes	113,756	119,981	6,225
Retirement	190,367	209,820	19,453
Group Health Insurance	210,739	214,582	3,843
Workers Compensation	\$ 46,412	34,832	\$ (11,580)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>PUBLIC SAFETY (CONTINUED)</b>			
<u>Fire Department: (Continued)</u>			
Print and Office Supplies	\$ 6,500	5,224	\$ (1,276)
Membership and Dues	2,000	2,250	250
Membership and Seminars	500	19	(481)
Vehicle, Fuel, and Oil	29,983	28,723	(1,260)
Vehicle Maintenance	50,000	47,811	(2,189)
Electric and gas	42,000	44,639	2,639
Telephone and Cable	46,740	46,684	(56)
Water and Sewer	8,500	10,935	2,435
Noncapital Tools and Equipment	6,500	6,231	(269)
Maintenance and Service Contracts	41,010	42,890	1,880
Machine and Service Repairs	10,000	14,273	4,273
Uniforms	22,800	27,492	4,692
Cleaning and Sanitary Supplies	4,000	3,347	(653)
Medical and Lab	15,000	16,529	1,529
Insurance	79,607	70,870	(8,737)
Rent and Leases	3,500	1,819	(1,681)
Employee Training	12,500	14,959	2,459
Professional Services	3,500	3,884	384
Miscellaneous and Contingency	6,000	6,116	116
Volunteer Point Allocation	4,000	2,085	(1,915)
Total Fire Department	<u>2,442,914</u>	<u>2,586,519</u>	<u>143,605</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>4,914,363</u>	<u>5,012,941</u>	<u>98,578</u>
<b>BUILDING, PLANNING, AND ENGINEERING</b>			
Salaries - Supervisors	204,442	207,022	2,580
Salaries - Employees	1,130	12	(1,118)
Payroll Taxes	15,726	15,160	(566)
Retirement	21,791	22,066	275
Group Health Insurance	30,667	30,506	(161)
Workers Compensation	2,173	1,611	(562)
Print and Office Supplies	15,500	8,938	(6,562)
Membership and Dues	1,000	626	(374)
Membership and Seminars	900	351	(549)
Vehicle, Fuel, and Oil	5,452	4,342	(1,110)
Vehicle Maintenance	1,000	914	(86)
Electric and Gas	3,900	4,081	181
Telephone and Cable	\$ 5,040	4,664	\$ (376)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>BUILDING, PLANNING, AND ENGINEERING (CONTINUED)</b>			
Water and Sewer	\$ 1,800	1,325	\$ (475)
Non-Capital Tools & Equipment	300	271	(29)
Maintenance and Service Contracts	6,000	6,723	723
Machine and Equipment Repair	500	254	(246)
Uniforms	500	272	(228)
Cleaning and Sanitary Supplies	500	496	(4)
Medical and Lab	100	40	(60)
Insurance	8,493	6,818	(1,675)
Rent and Leases	2,680	2,364	(316)
Employee Training	1,300	1,181	(119)
Professional Services	11,500	2,621	(8,879)
Miscellaneous and Contingency	750	569	(181)
<b>TOTAL BUILDING, PLANNING AND ENGINEERING</b>	<b>343,144</b>	<b>323,227</b>	<b>(19,917)</b>
<b>PUBLIC WORKS</b>			
Salaries - Supervisors	430,491	441,912	11,421
Salaries - Employees	2,767	4,918	2,151
Payroll Taxes	33,144	33,548	404
Retirement	45,925	47,484	1,559
Group Health Insurance	63,001	61,520	(1,481)
Workers Compensation	19,792	14,674	(5,118)
Print and Office Supplies	1,000	580	(420)
Bank Service Charges	-	13	13
Membership and Dues	450	476	26
Meetings and Seminars	300	-	(300)
Vehicle, Fuel, and Oil	95,153	84,819	(10,334)
Vehicle Maintenance	85,000	69,615	(15,385)
Electric and Gas	73,000	77,400	4,400
Telephone and Cable	9,634	11,176	1,542
Water and Sewer	3,500	2,511	(989)
Noncapital Tools and Equipment	2,500	2,493	(7)
Maintenance and Service Contracts	3,000	1,931	(1,069)
Machine and Equipment Repair	4,000	2,674	(1,326)
Uniforms	6,000	4,952	(1,048)
Cleaning and Sanitary Supplies	2,000	3,108	1,108
Storm Preparation & Cleanup	3,000	5,184	2,184
Medical and Lab	3,250	3,343	93
Street Signs	4,000	-	(4,000)
Insurance	\$ 27,646	21,848	\$ (5,798)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>PUBLIC WORKS (CONTINUED)</b>			
Employee Training	\$ 400	30	\$ (370)
Rent and Leases	-	75	75
Professional Services	1,000	1,400	400
Temporary Labor	169,335	161,355	(7,980)
Contracted Services	5,000	-	(5,000)
Miscellaneous and Contingency	1,250	278	(972)
Garbage Cart - Procurement	7,600	7,644	44
<b>TOTAL PUBLIC WORKS</b>	<b>1,103,138</b>	<b>1,066,961</b>	<b>(36,177)</b>
<b>RECREATION</b>			
<u>Recreation Department:</u>			
Salaries - Supervisors	295,172	301,026	5,854
Salaries - Employees	6,688	2,753	(3,935)
Salaries - Part Time	181,000	195,802	14,802
Payroll Taxes	36,939	38,115	1,176
Retirement	35,227	33,991	(1,236)
Group Health Insurance	46,385	41,184	(5,201)
Workers Compensation	7,399	5,807	(1,592)
Print and Office Supplies	9,500	8,992	(508)
Membership and Dues	1,600	645	(955)
Membership and Seminars	2,000	1,581	(419)
Vehicle, Fuel, and Oil	6,746	5,135	(1,611)
Vehicle Maintenance	2,000	698	(1,302)
Electric and Gas	36,000	35,959	(41)
Telephone and Cable	12,336	12,766	430
Water and Sewer	4,000	3,721	(279)
Noncapital Tools and Equipment	1,800	1,577	(223)
Maintenance and Service Contracts	29,885	31,290	1,405
Machine and Equipment Repair	2,500	2,414	(86)
Uniforms	1,950	1,559	(391)
Cleaning and Sanitary Supplies	4,250	4,171	(79)
Medical and Lab	800	662	(138)
Insurance	37,080	31,340	(5,740)
Rent and Leases	3,700	3,807	107
Employee Training	2,300	1,319	(981)
Professional Services	115	115	-
Miscellaneous and Contingency	4,000	2,697	(1,303)
<b>Total Recreation Department</b>	<b>\$ 771,372</b>	<b>769,126</b>	<b>\$ (2,246)</b>

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>RECREATION (CONTINUED)</b>			
<u>Recreation Programs:</u>			
Four Year Old Play Group	\$ 750	645	\$ (105)
Gymnastics	2,500	2,268	(232)
Special Activities	20,500	17,314	(3,186)
Day Camp	14,000	13,694	(306)
Karate	2,000	1,207	(793)
Aerobics	6,000	4,464	(1,536)
Adult Sports	14,000	10,507	(3,493)
Youth Sports	30,000	29,169	(831)
Keenagers	3,000	2,099	(901)
Total Recreation Programs	<u>92,750</u>	<u>81,367</u>	<u>(11,383)</u>
<b>TOTAL RECREATION</b>	<u>864,122</u>	<u>850,493</u>	<u>(13,629)</u>
<b>NON-DEPARTMENTAL</b>			
Parking Meters			
Salaries - Overtime	-	365	365
Salaries - Part Time	58,500	33,511	(24,989)
Payroll Taxes	4,475	2,592	(1,883)
Workers Compensation	819	417	(402)
Total Parking Meters	<u>63,794</u>	<u>36,885</u>	<u>(26,909)</u>
<b>TOTAL NON-DEPARTMENTAL</b>	<u>63,794</u>	<u>36,885</u>	<u>(26,909)</u>
<b>DEBT SERVICE</b>			
Principal	421,000	421,000	-
Interest	309,957	309,957	-
<b>TOTAL DEBT SERVICE</b>	<u>730,957</u>	<u>730,957</u>	<u>-</u>
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<u>\$ 8,967,485</u>	<u>8,952,236</u>	<u>\$ (15,249)</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY TYPE - ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2014

	GENERAL GOVERNMENT		
	MAYOR AND COUNCIL	ADMIN- ISTRATION	JUDICIAL AND LEGAL
Salaries - Full-time	\$ 17,338	330,341	54,769
Salaries - Overtime	-	7,298	2,364
Salaries - Part Time	-	-	15,041
Payroll Taxes	1,326	24,965	5,521
Retirement	1,202	35,835	7,650
Group Health Insurance	39,859	28,660	5,642
Workers Compensation	240	3,163	269
Print and Office Supplies	411	13,047	3,773
Membership and Dues	-	3,920	92
Meeting and Seminars	8,415	6,254	411
Vehicle, Fuel, and Oil	-	2,307	-
Vehicle Maintenance	-	-	-
Electric and gas	-	4,081	-
Telephone and Cable	1,125	8,304	2,645
Water and Sewer	-	1,505	-
Noncapital Tools and Equipment	-	1,182	171
Maintenance and Service Contract	-	19,061	2,060
Machine and Equipment Repair	-	540	23
Uniforms	-	-	-
Cleaning and Sanitary Supplies	-	1,562	-
Medical and Lab	-	600	-
Insurance	2,057	18,056	711
Rent and Leases	-	8,145	-
Advertising	-	4,711	-
Employee Training	-	1,000	1,764
Professional Services	-	98,655	96,518
Temporary Labor	-	-	-
Contracted Services	-	-	-
Election Expenses	-	3,195	-
Miscellaneous and Contingency	4,372	21,321	414
Volunteer Point Allocation	-	-	-
Citizens and Employee Services	2,250	-	-
Canine Kennel Expenses	-	-	-
Storm Preparation & Cleanup	-	-	-
Recreation Instruction Expense	-	-	-
Garbage Cart - Procurement	-	-	-
Bank Service Charges	-	4,631	-
<b>TOTAL DEPARTMENTAL EXPENDITURES</b>	<b>\$ 78,595</b>	<b>652,339</b>	<b>199,838</b>

PUBLIC SAFETY		BUILDING,	PUBLIC		NON DEPART-	
POLICE	FIRE	PLANNING AND	WORKS		MENTAL	
DEPARTMENT	DEPARTMENT	ENGINEERING	DEPARTMENT	RECREATION	PARKING	TOTAL
					METERS	
1,160,025	1,341,260	207,022	441,912	301,026	-	\$ 3,853,693
94,668	266,436	12	4,918	2,753	365	378,814
-	2,828	-	-	195,802	33,511	247,182
93,263	119,981	15,160	33,548	38,115	2,592	334,471
155,758	209,820	22,066	47,484	33,991	-	513,806
177,413	214,582	30,506	61,520	41,184	-	599,366
28,627	34,832	1,611	14,674	5,807	417	89,640
14,415	5,224	8,938	580	8,992	-	55,380
2,240	2,250	626	476	645	-	10,249
8,715	19	351	-	1,581	-	25,746
105,489	28,723	4,342	84,819	5,135	-	230,815
41,775	47,811	914	69,615	698	-	160,813
30,169	44,639	4,081	77,400	35,959	-	196,329
41,209	46,684	4,664	11,176	12,766	-	128,573
5,560	10,935	1,325	2,511	3,721	-	25,557
(170)	6,231	271	2,493	1,577	-	11,755
50,222	42,890	6,723	1,931	31,290	-	154,177
10,127	14,273	254	2,674	2,414	-	30,305
17,542	27,492	272	4,952	1,559	-	51,817
1,448	3,347	496	3,108	4,171	-	14,132
3,321	16,529	40	3,343	662	-	24,495
52,650	70,870	6,818	21,848	31,340	-	204,350
-	-	-	75	-	-	8,220
2,303	1,819	2,364	-	3,807	-	15,004
9,130	14,959	1,181	30	1,319	-	29,383
11,967	3,884	2,621	1,400	115	-	215,160
-	-	-	161,355	-	-	161,355
303,957	-	-	-	-	-	303,957
-	-	-	-	-	-	3,195
3,548	6,116	569	278	2,697	-	39,315
-	2,085	-	-	-	-	2,085
-	-	-	-	-	-	2,250
1,051	-	-	-	-	-	1,051
-	-	-	5,184	-	-	5,184
-	-	-	-	81,367	-	81,367
-	-	-	7,644	-	-	7,644
-	-	-	13	-	-	4,644
<u>2,426,422</u>	<u>2,586,519</u>	<u>323,227</u>	<u>1,066,961</u>	<u>850,493</u>	<u>36,885</u>	<u>8,221,279</u>
					Debt Service	730,957
						<u>\$ 8,952,236</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2014

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**Court Fines**

Court Fines Collected	\$ 107,971
Court Fines Retained by the City	(107,971)
<b>Total Court Fines Remitted to State Treasurer</b>	<u><u>\$ -</u></u>

**Court Assessments**

Court Assessments Collected	\$ 37,574
<b>Total Court Assessments Remitted to the State Treasurer</b>	<u><u>\$ 37,574</u></u>

**Court Surcharges**

Court Surcharges Collected	\$ 25,061
<b>Total Court Surcharges Remitted to the State Treasurer</b>	<u><u>\$ 25,061</u></u>

**Court Pullouts**

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

**Victims' Assistance Fund**

<b>Funds Available for Carryforward, Beginning of Year</b>	\$ 40,357
Court Assessments and Surcharges Allocated to Victim Assistance Fund	9,575
Interest Earned	11
Victims' Assistance Fund Expenditures	(3,528)
Victims' Assistance Transfers Out	(30,044)
<b>Funds Available for Carryforward, End of Year</b>	<u><u>\$ 16,371</u></u>



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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Isle of Palms, South Carolina (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
October 10, 2014