

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**



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

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**YEAR ENDED JUNE 30, 2009**

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**CITY OF ISLE OF PALMS, SOUTH CAROLINA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**YEAR ENDED JUNE 30, 2009**

MAYOR

F. Michael Sottile, January 1 to November 7, 2008  
Carol M. Rice, November 8, 2008 to February 11, 2009  
Richard F. Cronin, February 12 to June 30, 2009

CITY COUNCIL MEMBERS

Barbara Bergwerf  
J. Martin Bettelli  
Ryan L. Buckhannon  
Brian Duffy  
Michael Loftus  
Ralph Piening  
Carol M. Rice  
Dryden G. Taylor

APPOINTED OFFICIALS

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





## INDEPENDENT AUDITORS' REPORT

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

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the basic 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, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated on December 8, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 8, 2009

## CITY OF ISLE OF PALMS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2009

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As management of the City of Isle of Palms ("City"), we offer 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, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole. We encourage readers to not only consider the information presented here, but also the information provided in the basic financial statements and notes to the basic financial statements to enhance their understanding the City's overall financial performance.

#### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$19,061,000 (*net assets*). Of this amount, approximately \$15,415,000 and \$3,646,000 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net assets (which may be used to meet the government's ongoing obligations to citizens and creditors) were approximately \$6,687,000 for its governmental activities and approximately \$924,000 for its business-type activities.
- The City's total revenues of approximately \$15,344,000 were exceeded by total expenses of approximately \$16,069,000 resulting in a differential of approximately \$725,000. This differential is largely a result of project-specific expenses related to a major beach restoration endeavor. See further discussion below.
- Fiscal years 2008 and 2009 have been significantly impacted by the City's beach restoration project, as the funding for the project was accumulated in 2008 but significant expenditures were incurred in both fiscal year 2008 and 2009, meaning fiscal year 2009 reflects expenditures but not revenues despite the project's balanced budget. Consideration of fiscal statements of both years is necessary for the most complete picture of the project's budget. Current available funds are more than adequate to meet the remaining project-related costs. Construction activity on the project was substantially complete by the end of July 2008 while certain required post-project monitoring functions were completed during 2008 and 2009. At the close of the 2008 and 2009, the Beach Restoration Fund held assets of approximately \$6,049,000 and \$1,530,000, respectively. Revenues (current and deferred) contributed by federal, state, and local sources (private property owners of the affected area) totaled \$7,108,000 and \$1,571,000 for 2008 and 2009, respectively, and loan proceeds obtained by the City in 2008 provided another \$1,700,000. The City spent approximately \$3,051,000 and \$6,508,000 in 2008 and 2009, respectively, toward the project. The monitoring phase, as required by the permitting agencies, OCRM and the United States Army Corp of Engineers, will continue for at least two more years.
- At close of fiscal year 2009, the City's governmental funds reported combined ending fund balances of approximately \$10,634,000, a decrease of approximately \$766,000 over the prior year's fund balance. This change is again directly tied to spending associated with the beach restoration project. Approximately 31% of the total fund balance, or approximately \$3,307,000, is available for spending at the City's discretion (*unreserved, undesignated fund balance*). The unreserved, undesignated portion of the fund balance increased by approximately \$596,000 or 22% over the prior year.
- At the close of fiscal year 2009, unreserved, undesignated fund balance for the General Fund was approximately \$2,270,000, or 31% of total General Fund expenditures for the year ended June 30, 2009.
- The City's total capital assets increased by approximately \$7,833,000 (44%) during the current fiscal year, primarily due to capital asset additions of approximately \$9,062,000, partially offset by depreciation expense of approximately \$1,142,000 and net disposals of capital assets of approximately \$87,000. Capital asset additions were primarily related to the construction on the new public safety building, the completion of the new marina bulkhead, and the purchase of vehicles and other equipment.
- The City's total debt (including capital leases) increased by approximately \$6,574,000 (57%) during the current fiscal year. This increase was primarily due to a planned general obligation bond ("GOB") issuance of \$6,700,000 to fund costs associated with the new public safety building and a GOB issuance of \$1,000,000 to fund costs associated with the marina bulkhead, partially offset by principal payments of approximately \$1,126,000.
- The City continues to hold an "A1" bond rating from Moody's. Standard & Poor's increased the City's bond rating from "A+" to "AA" in 2009.

# CITY OF ISLE OF PALMS, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

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### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the City.

**Government-Wide Basic Financial Statements.** The basic 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 assets* presents information on all of the City's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 fiscal periods.

The government-wide basic financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general government, municipal court, public safety, public service, planning and development, culture and 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 basic financial statements can be found as listed in the table of contents.

**Fund Basic Financial Statements.** The fund basic 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 basic 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 that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains twelve (12) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, Municipal Accommodations Fee Fund, State Accommodations Tax Fund, Disaster Recovery 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 basic 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, 2009**

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**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**Basic 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 basic 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 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 basic financial statement of the fiduciary fund can be found as listed in the table of contents.

**Notes to the Basic 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 basic financial statements can be found as listed in the table of contents.

**Other Information** – In addition to the basic 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.

Other 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, 2009

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

Figure A-1 Major Features of the City’s Government-Wide and Fund Basic Financial Statements				
	Government-Wide Basic Financial Statements	Fund Basic Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private businesses, in the City’s case, all activities related to the marina.	Instances in which the City is the trustee or agent for someone else’s resources, such as the Volunteer Fire Department Fund.
Required Financial Statements	<ul style="list-style-type: none"> <li>▪ Statement of Net Assets.</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 Assets.</li> <li>▪ Statement of Revenues, Expenses and Changes in Net Assets.</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 Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used and liabilities that come due during the year or soon, thereafter; no capital assets or long-term obligations included.	All assets and liabilities, both financial and capital and short-term and long-term.	All assets and liabilities, 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, 2009**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets 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 assets for 2009 compared to 2008:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets:</b>						
Current and Other Assets	\$ 13,498,519	16,999,733	1,104,000	2,226,107	14,602,519	\$ 19,225,840
Capital Assets, Net	19,490,643	13,860,665	6,342,063	4,139,105	25,832,706	17,999,770
<b>Total Assets</b>	<b>32,989,162</b>	<b>30,860,398</b>	<b>7,446,063</b>	<b>6,365,212</b>	<b>40,435,225</b>	<b>37,225,610</b>
<b>Liabilities:</b>						
Long-Term Obligations	14,596,673	8,773,673	3,700,000	2,925,000	18,296,673	11,698,673
Other Liabilities	2,977,650	5,651,129	99,812	89,526	3,077,462	5,740,655
<b>Total Liabilities</b>	<b>17,574,323</b>	<b>14,424,802</b>	<b>3,799,812</b>	<b>3,014,526</b>	<b>21,374,135</b>	<b>17,439,328</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	5,658,455	5,642,831	2,722,305	1,287,865	8,380,760	6,930,696
Restricted	3,069,573	2,996,982	-	-	3,069,573	2,996,982
Unrestricted	6,686,811	7,795,783	923,946	2,062,821	7,610,757	9,858,604
<b>Total Net Assets</b>	<b>\$ 15,414,839</b>	<b>16,435,596</b>	<b>3,646,251</b>	<b>3,350,686</b>	<b>19,061,090</b>	<b>\$ 19,786,282</b>

The City's total assets of \$40,435,000 increased approximately \$3,210,000 over the prior year. The increase is primarily due to new debt issuances that were used for the construction and purchase of capital assets, partially offset by an operating loss associated with a slowing economy and costs associated with the beach restoration project. Total liabilities as of June 30, 2009 increased by approximately \$3,935,000 from the prior year primarily due to two new debt issuances for a total of \$7,700,000 (used for construction costs for the new public safety building and the new marina bulkhead), partially offset by principal payments of approximately \$1,126,000 and the use of deferred funds received for the beach restoration project (as the City recognizes the monies received for this public-private funded project as revenues as the expenditures are incurred) of approximately \$2,888,000.

The City's net assets decreased by approximately \$725,000 during the current fiscal year due to current year expenses exceeding current year revenues. Please see the discussion following the next table regarding this decrease.

The City's assets exceeded liabilities by approximately \$19,061,000 as of June 30, 2009. Approximately 44% of total net assets (\$8,381,000) reflect 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 16% of net assets (\$3,069,000) represent resources that are subject to external restrictions on how they may be used. These net assets are restricted primarily for special revenue programs which are restricted by the revenue source.

The remaining portion of the City's net assets (40% or \$7,611,000) 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 assets.

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2009**

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

The following table shows the changes in the City's net assets for fiscal year 2009 compared to 2008.

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,995,792	3,193,589	383,212	369,454	3,379,004	\$ 3,563,043
Operating Grants and Contributions	2,686	36,937	-	-	2,686	36,937
Capital Grants and Contributions	3,558,931	2,857,090	-	-	3,558,931	2,857,090
General Revenues:						
Taxes	7,011,347	6,828,166	-	-	7,011,347	6,828,166
Other	1,336,201	710,616	55,651	75,278	1,391,852	785,894
Total Revenues	14,904,957	13,626,398	438,863	444,732	15,343,820	14,071,130
Expenses:						
General Government	1,372,390	4,361,557	-	-	1,372,390	4,361,557
Public Safety	4,634,937	4,483,718	-	-	4,634,937	4,483,718
Building, Planning and Engineering	303,645	289,460	-	-	303,645	289,460
Public Works	1,505,542	1,515,897	-	-	1,505,542	1,515,897
Culture and Recreation	990,515	912,911	-	-	990,515	912,911
Non-Departmental	6,304,275	224,205	-	-	6,304,275	224,205
Interest on Long-Term Obligations	538,410	272,276	-	-	538,410	272,276
Marina	-	-	419,298	441,373	419,298	441,373
Total Expenses	15,649,714	12,060,024	419,298	441,373	16,069,012	12,501,397
Change in Net Assets Before Transfers	(744,757)	1,566,374	19,565	3,359	(725,192)	1,569,733
Transfers	(276,000)	(491,864)	276,000	491,864	-	-
Change in Net Assets	(1,020,757)	1,074,510	295,565	495,223	(725,192)	1,569,733
Net Assets - Beginning of Year	16,435,596	15,361,086	3,350,686	2,855,463	19,786,282	18,216,549
Net Assets - End of Year	\$ 15,414,839	16,435,596	3,646,251	3,350,686	19,061,090	\$ 19,786,282

**Governmental Activities:** Governmental activities had a net decrease in net assets of approximately \$1,021,000.

Compared to the prior year, total governmental activities revenue increased by approximately \$1,279,000 or 9%. Key changes compared to the prior year were as follows:

- Charges for services are down approximately \$198,000 or 6% due primarily to the general economic decline:
  - Business license revenue decreased by approximately \$18,000 or 2%.
  - Insurance license revenue decreased by approximately \$36,000 or 5%.
  - Building permit revenue decreased by approximately \$118,000 or 52%.
  - Parking lot revenue decreased by approximately \$26,000 or 24%.
- Capital grants and contributions increased by approximately \$702,000 or 25%. Approximately \$671,000 of this increase relates to a beach restoration grant from the South Carolina Department of Health and Environmental Control ("DHEC").

**CITY OF ISLE OF PALMS, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2009**

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

*Governmental Activities: (Continued)*

- Total taxes increased by approximately \$183,000 or 3%:
  - Property tax revenue increased by approximately \$280,000 or 7%. This increase resulted from growth in the assessment base rather than a millage increase. The millage rate actually decreased slightly from 22.4 mills to 22.2 mills.
  - Local option sales tax revenue was impacted by the weaker economy and decreased by approximately \$44,000 or 8%.
  - Accommodations and Hospitality tax revenue decreased by approximately \$53,000 or 2%. This decrease is less than expected and is evidence of the island's continued appeal to tourists even in difficult economic times.
- Other revenues increased approximately \$626,000 or 88%. The increase results from a \$900,000 contribution to the beach restoration project from Charleston County offset by a decline of \$274,000 in other revenues, primarily interest income.

Expenses related to total governmental activities increased by approximately \$3,590,000, or 30%, over the prior year. Key changes as compared to the prior year were as follows:

- Beach restoration efforts increased governmental activity expenses by \$3,036,000 during the year as the bulk of the project construction was completed and contracts were paid early in fiscal year 2009.
- Salary expense increased by approximately \$237,000, or 6.5%, attributable to a 2.9% cost of living adjustment, merit increases and one-time adjustments made as a result of a compensation survey to ensure City employee salaries were commensurate with other governmental agencies in the region.
- Total fringe expense increased approximately \$72,000 or 5%, accordingly with the increase in salaries
- Vehicle fuel expense decreased by approximately \$36,000 or 18% due to the decrease in cost of unleaded and diesel fuels.
- Total expense for interest on long-term obligations increased by \$266,000 with the addition of interest payments related to the beach restoration project and the Public Safety Building.

**Business-Type Activities:** Net assets related to business-type activities (i.e., the marina) increased by approximately \$296,000. Almost all of this increase was due to budgeted transfers in from the State Accommodations Tax Fund and the Hospitality Tax Fund to support marina debt service.

**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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of approximately \$10,634,000, a decrease of approximately \$766,000 or 7% over the prior year's combined fund balance. This change is directly attributable to planned beach restoration expenses for which offsetting resources had been accumulated in fiscal year 2008.

## CITY OF ISLE OF PALMS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

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

Approximately 31% of the total governmental fund balance (\$3,307,000) constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed: (1) for tourism-related expenditures or operating expenses incurred to serve tourists (\$2,587,000), (2) for recovery efforts on future disasters (\$1,813,000), (3) for construction and renovation of municipal buildings (\$1,083,000), (4) as unspent bond proceeds related to the construction and renovation of municipal buildings (\$512,000), (5) for drainage initiatives (\$328,000), (6) for debt service (\$154,000), (7) for future beach restoration (\$100,000), and (8) for other purposes primarily related to police department initiatives, recreation center improvements, island beautification, victims' services, narcotics programs and inventories on hand (\$750,000).

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, the total fund balance was approximately \$2,485,000. As a measure of the General Fund's liquidity, it is useful to compare total unreserved fund balance to total General Fund expenditures. Total unreserved, undesignated fund balance of the General Fund (\$2,270,000) represents approximately 31% of total General Fund expenditures (\$7,384,000). The unreserved, undesignated fund balance increased by approximately \$274,000 from the prior year.

Highlights for the General Fund were as follows:

- Property tax revenue is stable. The millage rate decreased slightly from 22.4 to 22.2 as the allowable cost of living increase of .5 mills was offset by a .7 mill reduction in the debt service portion of millage.
- The City was not immune to the widespread decline in the US economy. Several key revenue streams were negatively impacted, including local option sales taxes, building permits, insurance licenses and business licenses.
- Interest income was down approximately \$51,000 over the prior year, as a result of lower rates.
- Salaries and fringes increased approximately 6%, primarily due to a 2.9% cost of living adjustment, merit increases and various one-time adjustments to wage ranges resulting from a comprehensive compensation analysis completed by City Council. No full time positions were added during the fiscal year.
- General Fund debt service expense increased with the addition of a planned General Obligation bond to fund the new Public Safety Building and renovations to City Hall.

The total fund balance of the remaining governmental funds (Capital Projects and Special Revenue Funds) decreased by approximately \$575,000 from the prior year as planned expenditures were made in accordance with the requirements of each particular fund. Highlights for these funds were as follows:

- In April 2008, the City created the Beach Restoration Fund to account for funds assembled from private and public entities to support a very ambitious nourishment project on the east end of the island. At June 30, 2008, this fund balance equaled \$1,700,000. At June 30, 2009, after the construction phase of the project, the fund balance equaled \$100,010.
- The Capital Projects Fund expended approximately \$6,432,000 in the construction of the Public Safety Building, \$46,000 for the design of a drainage project in the area of 54<sup>th</sup> – 57<sup>th</sup> Avenues and \$131,000 for various capital purchases. The ending fund balance in the Capital Projects Fund was approximately \$3,353,000.
- Accommodations-related revenues decreased from the prior year by 3% due to the economy causing a decline in tourism activity. These funds were expended for various tourism-related efforts, including maintenance of the Front Beach area and restrooms, a portion of lease payments on fire and public works vehicles, purchases of police patrol vehicles, debt service on the recreation center and marina and special events such as the 4<sup>th</sup> of July fireworks show. At June 30, 2009, the Municipal Accommodations Fee Fund had a fund balance of approximately \$1,003,000 while the State Accommodations Tax Fund had a balance of approximately \$953,000.
- The Disaster Recovery Fund balance increased by approximately \$64,000 due to interest revenue and a transfer from the General Fund of approximately \$40,000. The fund balance at June 30, 2009 was approximately \$1,813,000. City Council intends to make future additions to this reserve towards a goal of at least \$2,000,000. City Council feels this reserve is crucial given the island's vulnerability to nature disasters, particularly hurricanes.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2009**

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

- The Hospitality Tax Fund balance at June 30, 2009 was approximately \$631,000. Hospitality tax revenues (including interest) were approximately \$482,000 in 2009, the fourth full year of implementation. In 2009, these funds were used to support capital purchases in the Police and Fire Departments, City-wide landscaping expenses and street sweeping expenses.

**Proprietary Fund.** The City’s proprietary fund provides the same type of information found in the government-wide statements but in more detail. Net assets of the Marina Enterprise Fund at the end of fiscal year 2009 amounted to approximately \$3,646,000. Please see “Business-Type Activities” discussion in the previous section for details.

**Fiduciary Funds.** 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 \$70,000 at June 30, 2009.

**General Fund Budgetary Highlights:** If budget amendments are made, they generally fall into one of three categories: 1) amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The City did not make any budget amendments during 2009.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

The City’s net investment in capital assets as of June 30, 2009 amounted to approximately \$25,833,000. This investment in capital assets includes land, construction in progress, buildings, improvements, equipment and other infrastructure. The City’s capital assets (net of depreciation) as of June 30, 2009 and 2008 were as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Land	\$ 2,913,446	2,913,446	3,035,786	3,035,786	5,949,232	\$ 5,949,232
Construction in Progress	6,958,113	480,621	-	38,453	6,958,113	519,074
Land Improvements	1,210,621	1,314,087	2,527,456	199,684	3,738,077	1,513,771
Buildings and Building Improvements	5,863,094	6,170,712	492,952	531,999	6,356,046	6,702,711
Vehicles and Vehicle Equipment	1,603,033	1,840,707	-	-	1,603,033	1,840,707
Equipment	906,037	1,098,571	12,741	31,959	918,778	1,130,530
Furniture and Fixtures	36,299	42,521	-	-	36,299	42,521
Docks	-	-	273,128	301,224	273,128	301,224
<b>Total</b>	<b>\$ 19,490,643</b>	<b>13,860,665</b>	<b>6,342,063</b>	<b>4,139,105</b>	<b>25,832,706</b>	<b>\$ 17,999,770</b>

The total increase in the City’s investment in capital assets for fiscal year 2009 was approximately \$7,833,000 or 44%. Major capital asset events during fiscal year 2009 included the following:

- Capital asset additions of approximately \$9,062,000 consisted primarily of:
  - Construction of the new public safety building - \$6,432,000.
  - Construction of the new marina bulkhead - \$2,356,000.
  - Design and engineering of a drainage project in the vicinity of 54<sup>th</sup> – 57<sup>th</sup> Avenues - \$46,000.
  - Various improvements, vehicles, computers and other equipment - \$228,000.
- Depreciation expense of approximately \$989,000 for governmental activities and \$153,000 for business-type activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2009**

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

*Capital Assets (Continued)*

As of June 30, 2009, the City has approximately \$390,000 in construction commitments for the completion of the new public safety building.

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

*Debt*

As of June 30, 2009, the City had total outstanding debt of approximately \$18,044,000. Of this total, \$15,805,000 was general obligation debt backed by the full faith and credit of the City. The City's total debt and capital lease obligations as of June 30, 2009 and 2008 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation Bonds	\$ 12,105,000	5,840,000	3,700,000	2,925,000	15,805,000	\$ 8,765,000
Bank Loan	1,438,238	1,700,000	-	-	1,438,238	1,700,000
Capital Lease Obligations	801,129	1,005,158	-	-	801,129	1,005,158
Total	<u>\$ 14,344,367</u>	<u>8,545,158</u>	<u>3,700,000</u>	<u>2,925,000</u>	<u>18,044,367</u>	<u>\$ 11,470,158</u>

The total increase in the City's debt and capital leases for fiscal year 2009 was approximately \$6,574,000 or 57%. Major events during the current fiscal year included the following:

- Issuance of a planned general obligation bond ("GOB") for \$6,700,000 to fund a portion of the costs associated with the new public safety building and renovation of City Hall.
- Issuance of a planned GOB for \$1,000,000 to fund a portion of the costs associated with the new marina bulkhead.
- Scheduled principal payments on general obligation bonds and a bank loan of approximately of \$922,000.
- Scheduled principal payments on capital leases of approximately \$204,000.

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, 2009 was approximately \$17,400,000. The City had \$10,790,000 of bonded debt subject to the 8% limit and thus as of June 30, 2009 had an unused legal debt margin of approximately \$6,610,000.

The City of Isle of Palms maintains an "A1" rating from Moody's Investors Service. Standard & Poor's increased the City's bond rating from "A+" to "AA" in 2009.

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

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

The City's elected officials and staff considered many factors when setting the fiscal year 2010 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:** The 2010 budget includes a provision for a .8 mill cost-of-living increase as allowed by State law. However, prior to the issuance of 2009 tax bills, City Council voted not to enact this increase. It is expected that higher than expected assessment values will produce the needed property tax revenue without the millage increase.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2009**

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

- **General Fund Revenues:** Given the slower economy, the budget was decreased for business license and building permit revenues. Also, based on actions of the SC General Assembly, state-shared revenues related to the Local Government Fund were decreased for all participating municipalities.
- **Tourism Related Revenues:** The 2010 budget projects a 15% decline in State Accommodations Tax, Municipal Accommodations Tax and Hospitality Tax revenues. The City feels this is a very conservative estimate given the actual decreases in these revenues for fiscal year 2009.

**New Personnel:** The City's budget for the fiscal year 2010 does not include any new positions.

**Public Safety Building Construction:** Construction costs of \$1,000,000 are included in the budget for the completion of the Public Safety Building. Increased operating costs for the new building were estimated for both Fire and Police Departments.

**City Hall Renovation:** The budget includes \$223,000 for renovations on the City Hall building to include the Building and Planning Department in the space previously occupied by the Police Department.

- **Incinerator Closing:** In November 2009 the waste incinerator contracted by Charleston County closed. As this was the ultimate destination for much of the City's garbage, the 2010 budget attempts to capture the additional costs associated with transporting the City's waste to other locations.

**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 our website at [www.iop.net](http://www.iop.net).



# Basic Financial Statements

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2009

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 11,169,994	946,838	\$ 12,116,832
Investments	1,264,552	-	1,264,552
Taxes Receivable, Net	144,423	-	144,423
Other Receivables, Net	758,994	76,920	835,914
Due from Other Governments	144,972	-	144,972
Inventory	15,584	-	15,584
Bond Issuance Costs, Net	-	80,242	80,242
Capital Assets:			
Non-Depreciable	9,871,559	3,035,786	12,907,345
Depreciable, Net	9,619,084	3,306,277	12,925,361
<b>TOTAL ASSETS</b>	<b>32,989,162</b>	<b>7,446,063</b>	<b>40,435,225</b>
<b>LIABILITIES</b>			
Accounts Payable	684,073	18,935	703,008
Other Accrued Liabilities	253,091	15,500	268,591
Court Assessments/Victims' Rights Liabilities	77,078	-	77,078
Accrued Interest	186,246	65,377	251,623
Unearned Revenue	1,777,162	-	1,777,162
Long-Term Obligations:			
Due Within One Year	1,179,515	350,000	1,529,515
Due in More Than One Year	13,417,158	3,350,000	16,767,158
<b>TOTAL LIABILITIES</b>	<b>17,574,323</b>	<b>3,799,812</b>	<b>21,374,135</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,658,455	2,722,305	8,380,760
Restricted For:			
Tourism Related Expenditures	2,587,056	-	2,587,056
Debt Service	154,022	-	154,022
Victims' Services	137,274	-	137,274
Narcotics Program	28,283	-	28,283
Other	162,938	-	162,938
Unrestricted	6,686,811	923,946	7,610,757
<b>TOTAL NET ASSETS</b>	<b>\$ 15,414,839</b>	<b>3,646,251</b>	<b>\$ 19,061,090</b>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total Government
<b>GOVERNMENT:</b>							
Governmental Activities:							
General Government	\$ 1,372,390	122,809	2,686	2,888,338	1,641,443	-	\$ 1,641,443
Public Safety	4,634,937	-	-	-	(4,634,937)	-	(4,634,937)
Building, Planning, and Engineering	303,645	2,433,486	-	-	2,129,841	-	2,129,841
Public Works	1,505,542	-	-	-	(1,505,542)	-	(1,505,542)
Culture and Recreation	990,515	182,443	-	-	(808,072)	-	(808,072)
Non-Departmental	6,304,275	257,054	-	670,593	(5,376,628)	-	(5,376,628)
Interest on Long Term Obligations	538,410	-	-	-	(538,410)	-	(538,410)
<b>Total Governmental Activities</b>	<b>15,649,714</b>	<b>2,995,792</b>	<b>2,686</b>	<b>3,558,931</b>	<b>(9,092,305)</b>	<b>-</b>	<b>(9,092,305)</b>
Business-Type Activities:							
Marina	419,298	383,212	-	-	-	(36,086)	(36,086)
<b>TOTAL GOVERNMENT</b>	<b>\$ 16,069,012</b>	<b>3,379,004</b>	<b>2,686</b>	<b>3,558,931</b>	<b>(9,092,305)</b>	<b>(36,086)</b>	<b>(9,128,391)</b>
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					4,245,418	-	4,245,418
Local Option Sales Taxes					516,642	-	516,642
Hospitality Taxes					478,217	-	478,217
Accommodations Taxes					1,771,070	-	1,771,070
Intergovernmental					1,188,314	-	1,188,314
Interest Income					162,327	54,980	217,307
Gain (Loss) on Disposal of Capital Assets					(51,529)	-	(51,529)
Miscellaneous					37,089	671	37,760
Transfers In (Out)					(276,000)	276,000	-
<b>Total General Revenues and Transfers</b>					<b>8,071,548</b>	<b>331,651</b>	<b>8,403,199</b>
<b>CHANGE IN NET ASSETS</b>					<b>(1,020,757)</b>	<b>295,565</b>	<b>(725,192)</b>
NET ASSETS, Beginning of Year					16,435,596	3,350,686	19,786,282
<b>NET ASSETS, End of Year</b>					<b>15,414,839</b>	<b>3,646,251</b>	<b>\$ 19,061,090</b>

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

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2009**

	<b>GENERAL FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>MUNICIPAL ACCOM- MODATIONS FEE FUND</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,950,465	3,413,328	752,077
Investments	-	397,040	-
Taxes Receivable	144,423	-	-
Accounts Receivable	120,892	-	257,430
Due From:			
Other Governments	144,972	-	-
Other Funds	-	250,000	1,000
Inventory	15,584	-	-
<b>TOTAL ASSETS</b>	<b>3,376,336</b>	<b>4,060,368</b>	<b>1,010,507</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	194,741	310,382	7,775
Other Accrued Liabilities	253,091	-	-
Court Assessments/Victims' Rights Liabilities	77,078	-	-
Due To:			
Other Funds	293,278	-	-
Deferred Revenue, Property Taxes	72,946	-	-
Deferred/Unearned Revenue, Other	-	397,040	-
<b>TOTAL LIABILITIES</b>	<b>891,134</b>	<b>707,422</b>	<b>7,775</b>
<b>FUND BALANCES</b>			
Reserved For:			
Inventory	15,584	-	-
Victims' Services	-	-	-
Narcotics Program	-	-	-
Capital Projects - Unspent Bond Proceeds	-	512,179	-
Debt Service	154,022	-	-
Tourism Related Expenditures	-	-	1,002,732
Beach Restoration	-	-	-
Other	45,459	-	-
Unreserved:			
Designated For:			
Drainage Improvements	-	328,497	-
Recovery Efforts on Future Disasters	-	-	-
Recreation Center	-	-	-
Beautification	-	-	-
Construction & Renovation of Municipal Buildings	-	1,082,992	-
Other	-	392,554	-
Undesignated	2,270,137	1,036,724	-
<b>TOTAL FUND BALANCES</b>	<b>2,485,202</b>	<b>3,352,946</b>	<b>1,002,732</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,376,336</b>	<b>4,060,368</b>	<b>1,010,507</b>

The notes to the basic financial statements are an integral part of this statement.  
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<b>STATE ACCOM- MODATIONS TAX FUND</b>	<b>DISASTER RECOVERY FUND</b>	<b>HOSPITALITY TAX FUND</b>	<b>BEACH RESTORATION FUND</b>	<b>NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
775,146	1,422,907	553,433	1,027,088	275,550	\$ 11,169,994
-	350,043	-	500,000	17,469	1,264,552
-	-	-	-	-	144,423
301,830	-	78,842	-	-	758,994
-	-	-	-	-	144,972
215	39,733	-	2,494	3,330	296,772
-	-	-	-	-	15,584
<b>1,077,191</b>	<b>1,812,683</b>	<b>632,275</b>	<b>1,529,582</b>	<b>296,349</b>	<b>13,795,291</b>
121,592	-	1,056	48,450	77	684,073
-	-	-	-	-	253,091
-	-	-	-	-	77,078
2,494	-	-	1,000	-	296,772
-	-	-	-	-	72,946
-	-	-	1,380,122	-	1,777,162
124,086	-	1,056	1,429,572	77	3,161,122
-	-	-	-	-	15,584
-	-	-	-	137,274	137,274
-	-	-	-	28,283	28,283
-	-	-	-	-	512,179
-	-	-	-	-	154,022
953,105	-	631,219	-	-	2,587,056
-	-	-	100,010	-	100,010
-	-	-	-	17,469	62,928
-	-	-	-	-	328,497
-	1,812,683	-	-	-	1,812,683
-	-	-	-	61,976	61,976
-	-	-	-	51,270	51,270
-	-	-	-	-	1,082,992
-	-	-	-	-	392,554
-	-	-	-	-	3,306,861
953,105	1,812,683	631,219	100,010	296,272	10,634,169
<b>1,077,191</b>	<b>1,812,683</b>	<b>632,275</b>	<b>1,529,582</b>	<b>296,349</b>	<b>\$ 13,795,291</b>

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES**

**JUNE 30, 2009**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 10,634,169</b>
Amounts reported for the governmental activities in the Statement of Net Assets 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.	72,946
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 \$25,833,177 and the accumulated depreciation was \$6,342,534.	19,490,643
Accrued interest payable was recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(186,246)
Long-term obligations, including bonds payable and capital leases, are not due or payable in the current period and therefore are not reported in the governmental funds.	
Debt	(13,543,238)
Capital Leases	(801,129)
Compensated Absences	(252,306)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 15,414,839</u></b>

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



CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	GENERAL FUND	CAPITAL PROJECTS FUND	MUNICIPAL ACCOM- MODATIONS FEE FUND
<b>REVENUES</b>			
Property Taxes	\$ 4,227,174	-	-
Local Option Sales Tax	516,642	-	-
Hospitality Taxes	-	-	-
Intergovernmental	288,314	-	795,986
Licenses and Permits	2,433,486	-	-
Fines and Forfeitures	106,109	-	-
Grant Revenue	2,263	-	423
Contributions of Cash	-	-	-
Revenues from Use of Property	257,054	-	-
Interest	20,413	67,162	9,403
Other	197,760	15,922	-
<b>TOTAL REVENUES ALL SOURCES</b>	<b>8,049,215</b>	<b>83,084</b>	<b>805,812</b>
<b>EXPENDITURES</b>			
Current:			
General Government	746,684	763	16,196
Public Safety	4,087,096	25,718	-
Building, Planning, and Engineering	294,086	-	-
Public Works	1,036,784	150,283	91,470
Culture and Recreation	743,636	-	-
Non-Departmental	15,459	-	43,667
Capital Outlay	-	6,609,472	2,323
Debt Service:			
Principal	266,000	227,014	95,007
Interest	194,221	155,924	44,268
<b>TOTAL EXPENDITURES</b>	<b>7,383,966</b>	<b>7,169,174</b>	<b>292,931</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>665,249</b>	<b>(7,086,090)</b>	<b>512,881</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	89,422	910,964	1,000
Transfers Out	(950,697)	-	(391,407)
Bonds Issued	-	6,700,000	-
Sale of Capital Assets	5,040	20,020	6,628
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(856,235)</b>	<b>7,630,984</b>	<b>(383,779)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(190,986)</b>	<b>544,894</b>	<b>129,102</b>
FUND BALANCES, Beginning of Year	2,676,188	2,808,052	873,630
<b>FUND BALANCES, End of Year</b>	<b>\$ 2,485,202</b>	<b>3,352,946</b>	<b>1,002,732</b>

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

STATE ACCOM- MODATIONS TAX FUND	DISASTER RECOVERY FUND	HOSPITALITY TAX FUND	BEACH RESTORATION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	-	\$ 4,227,174
-	-	-	-	-	516,642
-	-	478,217	-	-	478,217
975,084	-	-	900,000	-	2,959,384
-	-	-	-	-	2,433,486
-	-	-	-	16,700	122,809
-	-	-	670,593	-	673,279
-	-	-	2,888,338	-	2,888,338
-	-	-	-	-	257,054
9,389	24,660	4,273	24,578	2,449	162,327
-	-	-	-	5,850	219,532
<b>984,473</b>	<b>24,660</b>	<b>482,490</b>	<b>4,483,509</b>	<b>24,999</b>	<b>14,938,242</b>
372,518	-	-	105,023	2,688	1,243,872
2,792	-	-	-	4,810	4,120,416
-	-	320	-	-	294,406
15,581	-	62,003	-	-	1,356,121
35,720	-	-	-	61	779,417
157,969	-	-	6,087,180	-	6,304,275
57,219	-	37,212	-	-	6,706,226
51,007	-	-	261,763	-	900,791
9,833	-	-	53,719	-	457,965
702,639	-	99,535	6,507,685	7,559	22,163,489
<b>281,834</b>	<b>24,660</b>	<b>382,955</b>	<b>(2,024,176)</b>	<b>17,440</b>	<b>(7,225,247)</b>
-	39,733	-	431,739	-	1,472,858
(217,257)	-	(181,944)	(7,553)	-	(1,748,858)
-	-	-	-	-	6,700,000
4,025	-	-	-	-	35,713
(213,232)	39,733	(181,944)	424,186	-	6,459,713
<b>68,602</b>	<b>64,393</b>	<b>201,011</b>	<b>(1,599,990)</b>	<b>17,440</b>	<b>(765,534)</b>
884,503	1,748,290	430,208	1,700,000	278,832	11,399,703
<b>953,105</b>	<b>1,812,683</b>	<b>631,219</b>	<b>100,010</b>	<b>296,272</b>	<b>\$ 10,634,169</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, 2009**

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (765,534)**

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.	18,244
Governmental funds report only proceeds received from the sale of capital assets, without any consideration for the net book value of the asset(s) that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the asset(s) sold.	(87,242)
Bond principal payments and capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.	900,791
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases also increases long term liabilities in the Statement of Net Assets.	(6,700,000)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This adjustment relates to the change in accrued interest from the prior year.	(80,445)
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.	(23,791)
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 capital asset additions (\$6,706,226) exceeded depreciation expense (\$989,006) in the current period.	5,717,220

**TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ (1,020,757)**

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2009

	<u>MARINA</u> <u>ENTERPRISE FUND</u> <u>JUNE 30, 2009</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 946,838
Accounts Receivable	76,920
Total Current Assets	<u>1,023,758</u>
<b>Noncurrent Assets:</b>	
Unamortized Bond Issuance Costs	80,242
<b>Capital Assets:</b>	
Land	3,035,786
Land Improvements	2,655,808
Buildings and Improvements	846,998
Docks	532,582
Equipment	262,228
Less: Accumulated Depreciation	(991,339)
Total Noncurrent Assets	<u>6,422,305</u>
<b>TOTAL ASSETS</b>	<u><b>7,446,063</b></u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	18,935
Accrued Interest	65,377
Security Deposits	15,500
Bond Payable, Current Portion	350,000
Total Current Liabilities	<u>449,812</u>
<b>Noncurrent Liabilities:</b>	
Bond Payable, Net of Current Portion	3,350,000
<b>TOTAL LIABILITIES</b>	<u><b>3,799,812</b></u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	2,722,305
Unrestricted	923,946
<b>TOTAL NET ASSETS</b>	<u><u><b>\$ 3,646,251</b></u></u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	<u>MARINA</u> <u>ENTERPRISE FUND</u> <u>2009</u>
<b>OPERATING REVENUES</b>	
Lease Income	\$ 383,212
Miscellaneous Revenue	671
<b>TOTAL OPERATING REVENUES</b>	<b><u>383,883</u></b>
<b>OPERATING EXPENSES</b>	
Depreciation	152,822
Insurance	72,288
Professional Services	5,871
Utilities	1,069
Maintenance and Service Contracts	6,827
Advertising	18,885
Miscellaneous	20
<b>TOTAL OPERATING EXPENSES</b>	<b><u>257,782</u></b>
<b>OPERATING INCOME</b>	<b><u>126,101</u></b>
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Interest Income	54,980
Amortization of Bond Issue Costs	(9,211)
Interest Expense	(152,305)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b><u>(106,536)</u></b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b><u>19,565</u></b>
Transfers In	<u>276,000</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>295,565</u></b>
NET ASSETS, Beginning of Year	<u>3,350,686</u>
NET ASSETS, End of Year	<u><u>\$ 3,646,251</u></u>

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

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2009**

	<b>MARINA ENTERPRISE FUND 2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 381,603
Cash Payments to Suppliers for Goods and Services	(100,505)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>281,098</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Loan from Municipal Accommodations Fee Fund	
Transfer from Other Funds	276,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>276,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	1,000,000
Bond Issuance Costs	(15,693)
Purchase of Capital Assets	(2,355,780)
Principal Paid on Bonds	(225,000)
Interest Paid on Bonds	(144,974)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,741,447)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Short Term Investments, Net	833,390
Investment Earnings	54,980
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>888,370</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(295,979)</b>
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,242,817</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 946,838</u></b>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 126,101
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	152,822
Change Due to (Increase) Decrease in Operating Assets:	
Other Receivable	(780)
Change Due to (Increase) Decrease in Operating Liabilities:	
Other Payables	2,955
Net Cash Provided by Operating Activities	<u>\$ 281,098</u>
<b>SUPPLEMENTAL INFORMATION FOR NONCASH ACTIVITIES:</b>	
Depreciation Expense	\$ 152,822
Amortization Expense	\$ 9,211

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

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

**STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND**

**JUNE 30, 2009**

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	<u><b>VOLUNTEER FIRE</b></u>
<b>ASSETS</b>	
Cash	\$ 85,107
<b>TOTAL ASSETS</b>	<u><b>85,107</b></u>
<b>LIABILITIES</b>	
Accounts Payable	14,680
Due To Volunteer Fire Department	70,427
<b>TOTAL LIABILITIES</b>	<u><b>\$ 85,107</b></u>

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

## CITY OF ISLE OF PALMS, SOUTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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The City of Isle of Palms, South Carolina (the "City") embraces 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 4,500 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 basic 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 basic financial statements present the City's financial information with its component unit. 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. 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.

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 basic financial statements to be misleading or incomplete. 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. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has no blended or discretely presented component unit.

The Isle of Palms Water and Sewer Commission ("Commission") was considered as a possible discretely presented component unit. It was determined the City's ability to approve bonded debt was ministerial in nature (not substantive) and it would not be misleading to exclude the Commission as a component unit of the City. The Commission's financial statements may be obtained at 1300 Palm Boulevard, Isle of Palms, South Carolina 29451.

##### *Major Operations*

The City's major operations include police and fire protection, culture and recreation, building, planning and zoning, public works, and general administrative services.

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

The government-wide basic financial statements (i.e., the Statement of Net Assets 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 BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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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 basic financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund basic 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 basic financial statements are prepared using a different measurement focus from the manner in which governmental fund basic financial statements are prepared (see further detail below). Governmental fund basic financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund basic 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 one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*Governmental fund types* are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds 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 major and non-major governmental fund types are as follows:

The **General Fund, a major 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 another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement 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. This is a budgeted fund, and any unreserved fund balance is generally considered a resource available for use.

The **Capital Projects Fund, a major 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 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. This is a budgeted fund.

The **Municipal Accommodations Fee Fund, a major special revenue fund**, is used to account for the accumulation of resources from the fee imposed on the rental of any accommodation within the City and the allocation of Charleston County Accommodations Fees received. These funds are to be spent only for support of tourism and tourist-related services. This is a budgeted fund.

The **State Accommodations Tax Fund, a major special revenue fund**, is used to account for the accumulation of resources from the hotel/motel fee levied by the State of South Carolina and remitted to the City. These funds are to be spent only for support of tourism and tourist-related services. This is a budgeted fund.

The **Disaster Recovery Fund, a major special revenue fund**, is used to account for funds set aside (designated) by the City to help assist with recovery efforts in the event of future disasters. This is a budgeted fund.

The **Hospitality Tax Fund, a major special revenue fund**, a budgeted fund, is used to account for the accumulation of resources from a fee imposed on food and beverage sales within the City. These funds are to be spent only for support of tourism and tourist-related services.

The **Beach Restoration Fund, a major special revenue fund**, a budgeted fund, is used to account for the nourishment of the portion of beach that had been severely eroded.

The **Special Revenue Funds, non-major funds**, are used to account for the proceeds of designated specific revenue sources (other than major capital projects) that are restricted by 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 reserved for the purpose of the specific revenue source. The City has the following non-major special revenue funds:

Federal Narcotics  
Aisle of Palms

State Narcotics  
Recreation Building

Victims' Assistance

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*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. The City applies all applicable GASB pronouncements, as well as the requirements of Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board (“APB”) Opinions, and Accounting Research Bulletins (“ARBs”), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The City has elected not to follow the aforementioned guidance issued after November 30, 1989, as allowed by GAAP.

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 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 (“Pool”) to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the pool are reported as investments.

**Investments**

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

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

**C. Assets, Liabilities, and Equity (Continued)**

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

**Investments (Continued)**

- (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 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 value which is normally determined by quoted market prices. The City currently or in the past year has generally used the following investments:

- South Carolina Local Government Investment Pool (the "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

- 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.

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 amounts 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 (consisting of fuel and expendable supplies) 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 reserve 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 Funds. These 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 Assets, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the government-wide Statement of Net Assets 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 GASB #34, 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 \$1,000 for all capital assets.

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	40 years
Improvements	10-20 years
Vehicles, Fixtures, and Equipment	5-15 years

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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.

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 basic financial statements. No portion of the liability is applicable to the Proprietary Funds 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 basic financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund basic financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund basic financial statements.

In the government-wide basic financial statements for the Primary Government, long-term debt, and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as bond issuance costs, 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 advance refunding amounts. Bond issuance costs are included in other assets.

In the fund basic 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. *Fund Balance*

In the fund basic financial statements, the City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

In the governmental fund basic financial statements, the City's use of the term "*reserve*" relative to the fund balance of its governmental funds is limited to indicating that portion of fund balance that is not appropriable for expenditure or is legally segregated for some specific future use. Fund balance reserves have been established for inventory, debt service, capital projects, tourism-related projects, and other special revenue programs.

In the governmental fund basic financial statements, the City's fund balance "*designations*" are established to reflect tentative plans for financial resource utilization in future periods. Designations of fund equity represent tentative management plans that are subject to change and ultimately may not be legally authorized or result in an expenditure. Designations have been established for capital improvements, beautification projects, recovery efforts on future disasters and other miscellaneous items.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

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

**C. Assets, Liabilities, and Equity (Continued)**

*8. Net Assets*

Net assets represent the difference between assets and liabilities. Net assets are classified as invested in capital assets net of related debt, restricted, and unrestricted. Net assets invested in capital assets, net of related debt, consist 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 assets component as the unspent proceeds. Net assets are 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.

*9. 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.

*10. 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.

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

**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, 2009, none of the City’s bank balances of \$6,954,361 (with a carrying value of \$5,574,404) were exposed to custodial credit risk.

*Investments*

As of June 30, 2009, 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	\$ 7,892,087	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, 2009 were (a) those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, grants, etc.) and (b) unspent bond/capital lease proceeds.

**B. Property Taxes and Other Receivables**

The City’s 2008 property taxes were levied on September 30, 2008 and were due beginning on this date based on the assessed valuation on real and personal property of approximately \$203,000,000 as of January 1, 2008. Property taxes were considered late on January 17, 2009. 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 17 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 2008 property tax year was 22.2 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 government-wide and governmental basic financial statements (where applicable).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

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

**B. Property Taxes and Other Receivables (Continued)**

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 assets.

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

	General	Municipal	State	Hospitality	Marina	
	Fund	Accommodations	Tax Fund	Tax	Enterprise	Totals
		Fee Fund		Fund	Fund	
Property taxes	\$ 151,236	-	-	-	-	\$ 151,236
Allowance for Uncollectibles	(6,813)	-	-	-	-	(6,813)
Local Option Sales Tax	144,094	-	-	-	-	144,094
Accommodations Taxes	22,136	257,430	301,830	-	-	581,396
Hospitality Taxes	-	-	-	78,842	-	78,842
Marina Operations	-	-	-	-	76,920	76,920
MASC Insurance License	3,104	-	-	-	-	3,104
Franchise Fees	39,633	-	-	-	-	39,633
State Aid to Subdivisions	35,006	-	-	-	-	35,006
Other	21,891	-	-	-	-	21,891
Net Receivables	\$ 410,287	257,430	301,830	78,842	76,920	\$ 1,125,309

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

**Deferred/Unearned Revenue**

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

At June 30, 2009, the various components of deferred/unearned revenue were as follows:

<u>Primary Government</u>	Fund	Deferred	Unearned	Total
Property Taxes Receivable	General	\$ 72,946	-	\$ 72,946
Grant Revenue	Capital Projects	-	397,040	397,040
Cash Contributions	Beach Restoration	-	1,380,122	1,380,122
Total Deferred/Unearned Revenue		\$ 72,946	1,777,162	\$ 1,850,108

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2009, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b><u>Governmental Funds:</u></b>		
General Fund	\$ -	\$ 293,278
Capital Projects Fund	250,000	-
Municipal Accommodations Fee Fund	1,000	-
State Accommodations Tax Fund	215	2,494
Disaster Recovery Fund	39,733	-
Beach Restoration Fund	2,494	1,000
Victims Assistance Fund	3,330	-
Totals	<u>\$ 296,772</u>	<u>\$ 296,772</u>

The Capital Projects receivable of \$250,000 from the General Fund was made out of the General Fund balance at June 30, 2009 for future capital projects. The Disaster Recovery Fund receivable of \$39,773 from the General Fund was made out of the General Fund balance at June 30, 2009 to prepare for future disasters. The Victims Assistance Fund receivable represents court fees received by the General Fund in June 2009. All interfund balances are expected to be paid within one year.

**Transfers In and (Out)**

Transfers between funds for the year ended June 30, 2009, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Funds:</u></b>		
General Fund	\$ 89,422	\$ 950,697
Capital Projects Fund	910,964	-
Municipal Accommodations Fee Fund	1,000	391,407
State Accommodations Tax Fund	-	217,257
Disaster Recovery Fund	39,733	-
Hospitality Tax Fund	-	181,944
Beach Restoration Fund	431,739	7,553
Marina Enterprise Fund	276,000	-
Totals	<u>\$ 1,748,858</u>	<u>\$ 1,748,858</u>

The General Fund transfers out were primarily to fund capital projects, particularly the construction of the new public safety building in the Capital Projects Fund. Transfers made out of the Municipal Accommodations Fee Fund were mainly to finance debt service payments in the Beach Restoration Fund. The remaining transfers out were primarily to the Marina Enterprise Fund for debt service and to the Beach Restoration Fund for coastal nourishment and shoreline monitoring.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Non-Depreciable:				
Land	\$ 2,913,446	-	-	\$ 2,913,446
Construction In Progress	480,621	6,477,492	-	6,958,113
Total Capital Assets, Non-Depreciable	<u>3,394,067</u>	<u>6,477,492</u>	<u>-</u>	<u>9,871,559</u>
Capital Assets, Depreciable:				
Land Improvements	2,001,857	2,323	-	2,004,180
Buildings and Improvements	7,613,025	-	-	7,613,025
Vehicles and Vehicle Equipment	3,987,293	113,838	111,146	3,989,985
Equipment	2,315,266	112,573	153,754	2,274,085
Furniture and Fixtures	80,343	-	-	80,343
Total Capital Assets, Depreciable	<u>15,997,784</u>	<u>228,734</u>	<u>264,900</u>	<u>15,961,618</u>
Less: Accumulated Depreciation for:				
Land Improvements	687,770	105,789	-	793,559
Buildings and Improvements	1,442,313	307,618	-	1,749,931
Vehicles and Vehicle Equipment	2,146,586	351,512	111,146	2,386,952
Equipment	1,216,695	217,865	66,512	1,368,048
Furniture and Fixtures	37,822	6,222	-	44,044
Total Accumulated Depreciation	<u>5,531,186</u>	<u>989,006</u>	<u>177,658</u>	<u>6,342,534</u>
Total Capital Assets, Depreciable, Net	<u>10,466,598</u>	<u>(760,272)</u>	<u>87,242</u>	<u>9,619,084</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,860,665</u>	<u>5,717,220</u>	<u>87,242</u>	<u>\$ 19,490,643</u>

The cost of equipment recorded under capital lease was approximately \$1,628,000. Accumulated amortization on the equipment recorded under capital lease was approximately \$117,000 at June 30, 2009. Amortization of assets, recorded under capital lease obligations, has been included with depreciation expense.

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

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 2,323	\$ 128,518
Public Safety	6,625,071	490,730
Building and Planning	19,857	9,239
Public Works	52,823	149,421
Culture and Recreation	6,152	211,098
Total - Governmental Activities	<u>\$ 6,706,226</u>	<u>\$ 989,006</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

D. Capital Assets (Continued)

Capital asset activity for the City's business-type activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Non-Depreciable				
Land	\$ 3,035,786	-	-	\$ 3,035,786
Construction in Progress	38,453	2,355,780	2,394,233	-
Total Capital Assets, Non-Depreciable	<u>3,074,239</u>	<u>2,355,780</u>	<u>2,394,233</u>	<u>3,035,786</u>
Capital Assets, Depreciable				
Land Improvements	261,575	2,394,233	-	2,655,808
Buildings and Improvements	846,998	-	-	846,998
Docks	532,582	-	-	532,582
Equipment	262,228	-	-	262,228
Total Capital Assets, Depreciable	<u>1,903,383</u>	<u>2,394,233</u>	<u>-</u>	<u>4,297,616</u>
Less: Accumulated Depreciation for:				
Land Improvements	61,891	66,461	-	128,352
Buildings and Improvements	314,999	39,047	-	354,046
Docks	231,358	28,096	-	259,454
Equipment	230,269	19,218	-	249,487
Total Accumulated Depreciation	<u>838,517</u>	<u>152,822</u>	<u>-</u>	<u>991,339</u>
Total Capital Assets, Being Depreciated, Net	<u>1,064,866</u>	<u>2,241,411</u>	<u>-</u>	<u>3,306,277</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,139,105</u>	<u>4,597,191</u>	<u>2,394,233</u>	<u>\$ 6,342,063</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. The City's Bank Loan ("BL") is an obligation of the City that is secured by revenue from a specific source. Capital Lease ("CL") obligations are special obligations of the City payable from the general revenues of the City. The full faith, credit and taxing powers of the City are not pledged for the payment of the bank loan or capital lease obligations nor the interest thereon. Details on the City's outstanding debt and capital leases as of June 30, 2009 are as follows:

**General Obligation Bonds and Bank Loan**

\$2,900,000 General Obligation Bonds Series 2003 (July, 2003) financed 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.

Principal  
Outstanding  
at Year End

\$ 2,315,000

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

E. Long-Term Obligations (Continued)

Principal  
Outstanding  
at Year End

**General Obligation Bonds and Bank Loan - Continued**

\$3,650,000 General Obligation Bonds Series 2006 (August, 2006) issued to defray the cost of constructing and equipping a new fire station 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 for the year ending June 30, 2009 were made from residual bond proceeds, of which approximately \$69,000 remain at year end. Once all residual proceeds are used, debt service payments will be paid 60% by the Hospitality Tax Fund and 40% by the General Fund.

\$ 3,290,000

\$2,925,000 General Obligation Bond (April, 2008) refinanced the remaining balance on the \$4,250,000 General Obligation Bond series 1999 (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 5.15%, semi-annually. Annual debt service requirements range from approximately \$308,000 to \$371,000 through February, 2019 and are being paid by the Marina Enterprise Fund.

2,700,000

\$6,700,000 General Obligation Bonds Series 2008 (August, 2008) issued to defray the cost of constructing and equipping a new public safety complex 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.

6,500,000

\$1,000,000 General Obligation Bond (April, 2009) issued 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.

1,000,000

\$1,700,000 Bank Loan dated June, 2008 to finance a portion of the beach nourishment project. Annual payments of \$315,482, including interest at 3.16% are due each June 10<sup>th</sup> through 2014 and are being paid 100% by the Municipal Accommodations Fee Fund.

1,438,238

**Total General Obligation Bonds and Bank Loan** **\$17,243,238**

**Capital Leases**

The City entered into a \$350,000 capital lease on July 24, 2002 to finance the purchase of a sanitation truck and a fire truck. Annual payments of \$50,762, including interest at 4.49%, are due each July 24<sup>th</sup>, through 2009.

\$ 48,578

The City entered into a \$693,483 capital lease on September 4, 2003 to finance the purchase of a ladder fire truck. Annual payments of \$82,113, including interest at 3.97%, are due each September 4<sup>th</sup>, through 2012.

298,272

The City entered into a \$471,000 capital lease on May 5, 2004 to finance the purchase of a mini pumper/ladder fire truck. Annual payments of \$55,210, including interest at 3.72%, are due each May 5<sup>th</sup>, through 2013.

\$ 201,735

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

E. Long-Term Obligations (Continued)

Principal  
Outstanding  
at Year End

Capital Leases (Continued)

The City entered into an \$112,271 capital lease on July 29, 2005 to finance the purchase of a Mack sanitation truck. Annual payments of \$15,720, including interest at 3.38%, are due each July 29<sup>th</sup>, through 2012.

\$ 57,905

The City entered into an \$115,000 capital lease on August 30, 2006 to finance the purchase of a Caterpillar wheel loader. Annual payments of \$16,559, including interest at 4.26%, are due each August 30<sup>th</sup>, through 2013.

73,183

The City entered into a \$162,200 capital lease on November 1, 2007 to finance the purchase of a Mack sanitation truck. Annual payments of \$22,996, including interest at 3.77%, are due each November 1<sup>st</sup>, through 2014.

121,456

**Total Capital Lease Obligations**

**\$ 801,129**

Lease payments for all of the capital leases are generally paid with a combination of monies from the Capital Projects Fund (using general government reserves), the Municipal Accommodations Fee Fund, and the State Accommodations Tax Fund (using tourism-restricted funds). The leases are secured by the property being financed.

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

Interest paid on the debt 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, 2009.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town 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 Town 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, 2009, the City had \$10,790,000 of bonded debt subject to the 8% limit of approximately \$17,400,000 available resulting in an unused legal debt margin of approximately \$6,610,000.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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, 2009, 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	\$ 2,425,000	-	110,000	2,315,000	\$ 115,000
GOB - Series 2006	3,415,000	-	125,000	3,290,000	130,000
GOB - Series 2008	-	6,700,000	200,000	6,500,000	200,000
Total GOB Debt	5,840,000	6,700,000	435,000	12,105,000	445,000
Bank Loan - 06/08	1,700,000	-	261,762	1,438,238	270,034
Total GOB Debt and Bank Loan	7,540,000	6,700,000	696,762	13,543,238	715,034
Capital Leases:					
CL-07/02	95,072	-	46,494	48,578	48,578
CL-09/03	365,860	-	67,588	298,272	70,271
CL-05/04	247,729	-	45,994	201,735	47,705
CL-07/05	71,218	-	13,313	57,905	13,762
CL-08/06	86,075	-	12,892	73,183	13,442
CL-11/07	139,204	-	17,748	121,456	18,417
Total Capital Leases	1,005,158	-	204,029	801,129	212,175
Accrued Compensated Absences	228,515	152,616	128,825	252,306	252,306
Total Governmental Activities	8,773,673	6,852,616	1,029,616	14,596,673	1,179,515
<b>Business-Type Activities:</b>					
GOB Debt:					
GOB - Series 1999	\$ 2,925,000	-	225,000	2,700,000	\$ 225,000
GOB - Series 2009	-	1,000,000	-	1,000,000	125,000
Total GOB Debt	\$ 2,925,000	1,000,000	225,000	3,700,000	\$ 350,000

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 have been used to liquidate the business-type activities debt. The accrued compensated absences liability has been liquidated through the General Fund.

The City paid interest of \$457,965 and \$152,305 for its governmental and business-type activities debt, respectively.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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 and Bank Loan		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities</u></b>					
2010	\$ 715,034	528,002	212,175	39,331	\$ 1,494,542
2011	788,567	501,919	169,894	31,184	1,491,564
2012	832,369	472,921	176,434	22,704	1,504,428
2013	856,450	442,233	183,228	16,163	1,498,074
2014	875,818	410,701	37,237	9,373	1,333,129
2015-2019	3,380,000	1,636,054	22,161	3,153	5,041,368
2020-2024	3,855,000	910,905	-	-	4,765,905
2025-2028	2,240,000	213,644	-	-	2,453,644
Totals	\$ 13,543,238	5,116,379	801,129	121,908	\$ 19,582,654
<b><u>Business-Type Activities</u></b>					
2010	\$ 350,000	175,877	-	-	\$ 525,877
2011	380,000	165,876	-	-	545,876
2012	385,000	147,292	-	-	532,292
2013	390,000	128,492	-	-	518,492
2014	425,000	109,470	-	-	534,470
2015-2019	1,770,000	249,180	-	-	2,019,180
Totals	\$ 3,700,000	976,187	-	-	\$ 4,676,187

F. Marina Revenue

The City owned Marina site earns revenues from the rental of Marina facilities and a percentage of dock operations. Dock operations are managed through an agreement with a third-party operator that expires September 30, 2009. Twenty-eight percent of net gross receipts (as defined) are remitted to the City monthly. Annual operations revenue is approximately \$167,000. The City leases the following Marina facilities through lease agreements:

- Marina store rental-annual income of approximately \$87,000 with the lease expiring January 31, 2010.
- Marina restaurant rental-annual income of approximately \$110,000. This lease is in its first three year renewal period ending October 31, 2009 and the lease has been renewed through October 31, 2011. There are three additional three year renewal options that could extend the lease term until October 31, 2020.
- Water sports dock rental-annual income of approximately \$19,000. The initial lease term expired on September 30, 2005 and is automatically renewed for successive one year terms until either party gives 90 days notice. The current lease has been automatically extended to September 30, 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

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

**F. Marina Revenue (Continued)**

Estimated future annual lease income for the long-term leases in effect as of June 30, 2009 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 130,750
2011	78,750
2012	\$ 24,750

**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, 2009, the City’s premium costs totaled approximately \$205,000. SCMIRF’s net assets from its most recently issued audited financial statements at December 31, 2008, totaled approximately \$24,365,000.

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 worker’s compensation. The City pays an annual premium to SCMIT. In the year ended June 30, 2009, the City made premium payments totaling approximately \$132,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net assets from its most recently issued audited financial statements at December 31, 2008, totaled approximately \$25,069,000.

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.

**Participation in Public Entity Risk Pool for Health Insurance**

The City has also joined together with other local governments in the South Carolina Local Government Assurance Group (“SCLGAG”) to provide medical, dental and life insurance for its employees. This is also a public entity risk pool operating as a common risk management and insurance program. The SCLGAG reinsures through commercial insurance to cover large specific losses. In the year ended June 30, 2009, the City made premium payments totaling approximately \$740,000. The SCLGAG’s net assets from its most recently issued audited financial statements at June 30, 2009 were approximately \$7,150,000.

For the above risk pool, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Pension Disclosures**

*South Carolina Retirement and Police Officers' Retirement System*

South Carolina Retirement and Police Officers' Retirement System: City employees, except for fire and police department civil service personnel, participate in the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. City sworn police officers and firefighting personnel participate in the South Carolina Police Officers' Retirement System ("SCPORS"), a cost-sharing multiple-employer defined benefit pension plan. 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 Law. Only the South Carolina State Budget and Control Board has authority to establish and amend the 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 Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Both employees and the City are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees' annual earnings.

	SCRS Rates			SCPORS Rates		
	2007	2008	2009	2007	2008	2009
<u>Employer Rate</u>						
Retirement	8.05%	9.06%	9.24%	10.30%	10.30%	10.65%
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%
	<u>8.20%</u>	<u>9.21%</u>	<u>9.39%</u>	<u>10.70%</u>	<u>10.70%</u>	<u>11.05%</u>
<u>Employee Rate</u>	<u>6.50%</u>	<u>6.50%</u>	<u>6.50%</u>	<u>6.50%</u>	<u>6.50%</u>	<u>6.50%</u>

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

Year Ending June 30,	SCRS Contributions			SCPORS Contributions		
	Required	% Contributed	% of Covered Payroll	Required	% Contributed	% of Covered Payroll
2009	\$ 149,102	100%	9.39%	\$ 240,015	100%	11.05%
2008	134,596	100%	9.21%	217,670	100%	10.70%
2007	\$ 106,020	100%	8.20%	\$ 199,706	100%	10.70%

**C. Other Postemployment Benefits**

Upon retirement from the City, employees who meet certain eligibility requirements have the option to retain health insurance through the SCLGAG by paying the applicable retiree rate. To be eligible, the employee must retire from the South Carolina Retirement System and have at least 10 years of continuous service with one or more of the SCLGAG members. The City's Personnel Manual establishes the authority for post employment healthcare benefits. The cost for this benefit is financed on a pay-as-you-go basis. Presently there is 1 retired participant.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

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**IV. OTHER INFORMATION (CONTINUED)**

**C. Other Postemployment Benefits (Continued)**

In 2004 GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("Statement"). This Statement 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 is required to adopt Statement No. 45 in fiscal 2010 and has engaged an actuary to determine what impact adopting this Statement will have on the City. Management is not able at the present time to quantify the City's OPEB liability under Statement No. 45.

**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. 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 public access area of the project.

The City is recognizing the funds received for this public-private jointly funded project as revenue as the expenditures are incurred (using the City's contribution and grant and loan proceeds first before utilizing the private donations). The City still has a deferred/unearned liability in the financial statements of approximately \$1,380,000 related to private contributions. The construction phase of the project was substantially completed as of July 2008 with certain required post-project monitoring functions completed during 2009. The monitoring phase, as required by the permitting agencies OCRM and the United States Army Corp of Engineers, will continue for at least two years.

**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, 2009.

At June 30, 2009, the City has approximately \$390,000 in construction commitments for the completion of the public safety building.

**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. Related Party Transactions**

The City uses Sottile, Hopkins and Daniel as legal counsel. A partner in the firm is related to the Mayor who served from July 1, 2008 through November 7, 2008. The City paid approximately \$11,000 to this firm for various legal services rendered during this time.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

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**IV. OTHER INFORMATION (CONTINUED)**

**H. Subsequent Events**

The Public Safety Building was completed in July 2009.

The City entered into a five year lease with Marina Joint Ventures, Inc. (“the Tenant”) which begins October 1, 2009. The annual rent for the first year is \$150,000 plus 15% of the amount of the Tenant’s gross profit in excess of \$450,000.

The City purchased a fire truck for \$342,155 through a municipal lease with Branch Banking and Trust Co. in August 2009. Payments are annual in advance in the amount of \$40,383 over a period of ten years. The annual interest rate is 3.89%.

# 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
  - Disaster Recovery 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 BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property Taxes	\$ 4,107,355	4,107,355	4,227,174	\$ 119,819
Local Option Sales Tax	530,000	530,000	516,642	(13,358)
Intergovernmental	280,915	280,915	290,577	9,662
Licenses and Permits	2,272,750	2,272,750	2,433,486	160,736
Fines	160,000	160,000	106,109	(53,891)
Interest	82,500	82,500	20,413	(62,087)
Revenues From Use of Properties	300,850	300,850	257,054	(43,796)
Other Revenues	227,044	227,044	202,800	(24,244)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>7,961,414</b>	<b>7,961,414</b>	<b>8,054,255</b>	<b>92,841</b>
<b>EXPENDITURES</b>				
General Government:				
Mayor and Council	49,268	49,268	34,925	(14,343)
Administration	600,048	600,048	574,426	(25,622)
Judicial and Legal	178,866	178,866	137,333	(41,533)
Public Safety:				
Police Department	2,066,772	2,066,772	1,869,429	(197,343)
Fire Department	2,118,306	2,118,306	2,217,667	99,361
Building, Planning, and Engineering	324,571	324,571	294,086	(30,485)
Public Works	1,150,604	1,150,604	1,036,784	(113,820)
Culture and Recreation:				
Recreation Department	683,162	683,162	658,768	(24,394)
Recreation Instruction	88,750	88,750	84,868	(3,882)
Non-Departmental:				
Parking Meters	41,247	41,247	15,459	(25,788)
Debt Service:				
Principal	310,000	310,000	266,000	(44,000)
Interest	383,653	383,653	194,221	(189,432)
<b>TOTAL EXPENDITURES</b>	<b>7,995,247</b>	<b>7,995,247</b>	<b>7,383,966</b>	<b>(611,281)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(33,833)</b>	<b>(33,833)</b>	<b>670,289</b>	<b>704,122</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	105,248	105,248	89,422	(15,826)
Transfers Out	(71,415)	(71,415)	(950,697)	(879,282)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>33,833</b>	<b>33,833</b>	<b>(861,275)</b>	<b>(895,108)</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(190,986)</b>	<b>(190,986)</b>
FUND BALANCE, Beginning of Year	2,676,188	2,676,188	2,676,188	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 2,676,188</b>	<b>2,676,188</b>	<b>2,485,202</b>	<b>\$ (190,986)</b>

Note: The above schedule reflects the sale of capital assets of \$5,040 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 BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Accommodations Fee Revenue	\$ 560,000	560,000	567,746	\$ 7,746
County Accommodations Fee Revenue	210,000	210,000	228,240	18,240
Grant Income	-	-	423	423
Interest	40,000	40,000	9,403	(30,597)
<b>TOTAL REVENUES</b>	<b>810,000</b>	<b>810,000</b>	<b>805,812</b>	<b>(4,188)</b>
<b>EXPENDITURES</b>				
Current:				
General Government	20,842	20,842	16,196	(4,646)
Public Works	98,250	98,250	91,470	(6,780)
Public Restrooms	59,395	59,395	43,667	(15,728)
Capital Outlay	-	-	2,323	2,323
Debt Service:				
Principal	367,593	367,593	95,007	(272,586)
Interest	70,533	70,533	44,268	(26,265)
<b>TOTAL EXPENDITURES</b>	<b>616,613</b>	<b>616,613</b>	<b>292,931</b>	<b>(323,682)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>193,387</b>	<b>193,387</b>	<b>512,881</b>	<b>319,494</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	1,000	1,000
Transfers Out	(84,624)	(84,624)	(391,407)	(306,783)
Sale of Capital Assets	8,000	8,000	6,628	(1,372)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(76,624)</b>	<b>(76,624)</b>	<b>(383,779)</b>	<b>(307,155)</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>116,763</b>	<b>116,763</b>	<b>129,102</b>	<b>12,339</b>
FUND BALANCE, Beginning of Year	873,630	873,630	873,630	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 990,393</b>	<b>990,393</b>	<b>1,002,732</b>	<b>\$ 12,339</b>

Note: The City's original and final budget reflected an expected surplus of \$116,763 for 2009.

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 BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Accommodations Tax Revenue	\$ 1,020,000	1,020,000	975,084	\$ (44,916)
Interest	35,000	35,000	9,389	(25,611)
<b>TOTAL REVENUES</b>	<b>1,055,000</b>	<b>1,055,000</b>	<b>984,473</b>	<b>(70,527)</b>
<b>EXPENDITURES</b>				
Current:				
General Government	439,250	439,250	372,518	(66,732)
Public Safety	6,820	6,820	2,792	(4,028)
Public Works	23,175	23,175	15,581	(7,594)
Culture and Recreation:				
Recreation Department	35,050	35,050	35,720	670
Public Restrooms	153,883	153,883	157,969	4,086
Capital Outlay	60,500	60,500	57,219	(3,281)
Debt Service:				
Principal	51,008	51,008	51,007	(1)
Interest	9,833	9,833	9,833	-
<b>TOTAL EXPENDITURES</b>	<b>779,519</b>	<b>779,519</b>	<b>702,639</b>	<b>(76,880)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>275,481</b>	<b>275,481</b>	<b>281,834</b>	<b>6,353</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(251,000)	(251,000)	(217,257)	33,743
Sale of Capital Assets	8,000	8,000	4,025	(3,975)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(243,000)</b>	<b>(243,000)</b>	<b>(213,232)</b>	<b>29,768</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>32,481</b>	<b>32,481</b>	<b>68,602</b>	<b>36,121</b>
FUND BALANCE, Beginning of Year	884,503	884,503	884,503	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 916,984</b>	<b>916,984</b>	<b>953,105</b>	<b>\$ 36,121</b>

Note: The City's original and final budget reflected an expected surplus of \$32,481 for 2009.

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 -  
DISASTER RECOVERY FUND**

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

**YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Interest	\$ 70,000	70,000	24,660	\$ (45,340)
<b>TOTAL REVENUES</b>	<b>70,000</b>	<b>70,000</b>	<b>24,660</b>	<b>(45,340)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	39,733	39,733
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>39,733</b>	<b>39,733</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>70,000</b>	<b>70,000</b>	<b>64,393</b>	<b>(5,607)</b>
FUND BALANCE, Beginning of Year	1,748,290	1,748,290	1,748,290	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 1,818,290</b>	<b>1,818,290</b>	<b>1,812,683</b>	<b>\$ (5,607)</b>

Note: The City's original and final budget reflected an expected surplus of \$70,000 for 2009.

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 BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Hospitality Taxes	\$ 460,000	460,000	478,217	\$ 18,217
Interest	19,000	19,000	4,273	(14,727)
<b>TOTAL REVENUES</b>	<b>479,000</b>	<b>479,000</b>	<b>482,490</b>	<b>3,490</b>
<b>EXPENDITURES</b>				
Current:				
Building, Planning, and Engineering	1,660	1,660	320	(1,340)
Public Works	68,672	68,672	62,003	(6,669)
Capital Outlay	72,000	72,000	37,212	(34,788)
<b>TOTAL EXPENDITURES</b>	<b>142,332</b>	<b>142,332</b>	<b>99,535</b>	<b>(42,797)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>336,668</b>	<b>336,668</b>	<b>382,955</b>	<b>46,287</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(195,624)	(195,624)	(181,944)	13,680
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(195,624)</b>	<b>(195,624)</b>	<b>(181,944)</b>	<b>13,680</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>141,044</b>	<b>141,044</b>	<b>201,011</b>	<b>59,967</b>
FUND BALANCE, Beginning of Year	430,208	430,208	430,208	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 571,252</b>	<b>571,252</b>	<b>631,219</b>	<b>\$ 59,967</b>

Note: The City's original and final budget reflected an expected surplus of \$141,044 for 2009.

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 BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Contributions	\$ -	-	2,888,338	\$ 2,888,338
Grant Revenue	-	-	670,593	670,593
Intergovernmental	-	-	900,000	900,000
Interest	-	-	24,578	24,578
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>4,483,509</b>	<b>4,483,509</b>
<b>EXPENDITURES</b>				
Current:				
General Government	50,000	50,000	105,023	55,023
Non-Departmental	7,500,000	7,500,000	6,087,180	(1,412,820)
Debt Service:				
Principal	-	-	261,763	261,763
Interest	-	-	53,719	53,719
<b>TOTAL EXPENDITURES</b>	<b>7,550,000</b>	<b>7,550,000</b>	<b>6,507,685</b>	<b>(1,042,315)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(7,550,000)</b>	<b>(7,550,000)</b>	<b>(2,024,176)</b>	<b>5,525,824</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	150,000	150,000	431,739	281,739
Transfers Out	-	-	(7,553)	(7,553)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>150,000</b>	<b>150,000</b>	<b>424,186</b>	<b>274,186</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>(7,400,000)</b>	<b>(7,400,000)</b>	<b>(1,599,990)</b>	<b>5,800,010</b>
FUND BALANCE, Beginning of Year	1,700,000	1,700,000	1,700,000	-
<b>FUND BALANCE, End of Year</b>	<b>\$ (5,700,000)</b>	<b>(5,700,000)</b>	<b>100,010</b>	<b>\$ 5,800,010</b>

Note: The City's original and final budget reflected the use of fund balance of \$7,400,000 for 2009.

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.

## Other 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 designated 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.

**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.

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



CITY OF ISLE OF PALMS, SOUTH CAROLINA

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2009

	<b>FEDERAL NARCOTICS FUND</b>	<b>STATE NARCOTICS FUND</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 11,427	16,856
Investments	-	-
Due from other funds	-	-
<b>TOTAL ASSETS</b>	<b>11,427</b>	<b>16,856</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>		
Reserved	-	-
Unreserved	11,427	16,856
<b>TOTAL FUND BALANCES</b>	<b>11,427</b>	<b>16,856</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,427</b>	<b>16,856</b>

<b>VICTIMS' ASSISTANCE FUND</b>	<b>AISLE OF PALMS FUND</b>	<b>RECREATION BUILDING FUND</b>	<b>TOTAL NON-MAJOR FUNDS</b>
134,021	51,270	61,976	\$ 275,550
-	-	17,469	17,469
3,330	-	-	3,330
<b>137,351</b>	<b>51,270</b>	<b>79,445</b>	<b>296,349</b>
77	-	-	77
77	-	-	77
-	-	17,469	17,469
137,274	51,270	61,976	278,803
137,274	51,270	79,445	296,272
<b>137,351</b>	<b>51,270</b>	<b>79,445</b>	<b>\$ 296,349</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, 2009

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
<b>REVENUES</b>		
Fines and Forfeits	\$ 3,519	-
Interest	68	109
Other	-	-
<b>TOTAL REVENUES</b>	<b>3,587</b>	<b>109</b>
<b>EXPENDITURES</b>		
Current:		
General Government	-	-
Public Safety	2,915	45
Culture and Recreation	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,915</b>	<b>45</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>672</b>	<b>64</b>
FUND BALANCES AT BEGINNING OF YEAR	10,755	16,792
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 11,427</b>	<b>16,856</b>

<b>VICTIMS' ASSISTANCE FUND</b>	<b>AISLE OF PALMS FUND</b>	<b>RECREATION BUILDING FUND</b>	<b>TOTAL NON-MAJOR FUNDS</b>
13,181	-	-	\$ 16,700
832	335	1,105	2,449
-	330	5,520	5,850
<b>14,013</b>	<b>665</b>	<b>6,625</b>	<b>24,999</b>
-	2,688	-	2,688
1,850	-	-	4,810
-	-	61	61
1,850	2,688	61	7,559
<b>12,163</b>	<b>(2,023)</b>	<b>6,564</b>	<b>17,440</b>
125,111	53,293	72,881	278,832
<b>137,274</b>	<b>51,270</b>	<b>79,445</b>	<b>\$ 296,272</b>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	2009		
	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>PROPERTY TAXES</b>	\$ 4,107,355	4,227,174	\$ 119,819
<b>LOCAL OPTION SALES TAX</b>	530,000	516,642	(13,358)
<b>INTERGOVERNMENTAL</b>			
State Aid to Subdivisions	140,000	142,772	2,772
State Accommodations Tax Administrative Fee	80,000	76,320	(3,680)
State Shared Funds - Alcohol	24,000	23,750	(250)
Intergovernmental Transfers	36,915	45,472	8,557
Grants	-	2,263	2,263
Total Intergovernmental	280,915	290,577	9,662
<b>LICENSES AND PERMITS</b>			
Business Licenses	770,000	807,252	37,252
Residential Rental Licenses	414,000	447,779	33,779
Insurance Licenses	530,000	641,748	111,748
Public Utilities	345,000	384,310	39,310
Building Permits	170,000	107,779	(62,221)
Telecommunication Licenses	42,000	42,429	429
Alarm Permits	1,000	1,475	475
Animal Licenses	750	714	(36)
Total Licenses and Permits	2,272,750	2,433,486	160,736
<b>FINES AND FORFEITS</b>	160,000	106,109	(53,891)
<b>INTEREST</b>			
Interest Income	75,000	19,196	(55,804)
Court Generated Interest	7,500	1,217	(6,283)
Total Interest	82,500	20,413	(62,087)
<b>REVENUES FROM USE OF PROPERTIES</b>			
Parking Lot Revenue	122,850	81,145	(41,705)
Parking Meter Revenue	178,000	175,909	(2,091)
Total Revenues From Use of Properties	300,850	257,054	(43,796)
<b>OTHER REVENUES</b>			
Recreation Program Income	95,000	89,774	(5,226)
Recreation Instructors Income	\$ 85,000	92,669	\$ 7,669

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	2009		
	FINAL BUDGET	ACTUAL	VARIANCE
<b>OTHER REVENUES (CONTINUED)</b>			
Sales of Assets	\$ 5,800	5,040	\$ (760)
Miscellaneous	25,500	3,181	(22,319)
Cart Purchase Revenue	9,375	4,125	(5,250)
Boat Ramp Fees	1,000	1,100	100
Recycling Revenue	5,000	6,715	1,715
Kennel Fees	370	196	(174)
Total Other Revenues	227,045	202,800	(24,245)
<b>TOTAL REVENUES</b>	<b>7,961,415</b>	<b>8,054,255</b>	<b>92,840</b>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
<u>Mayor and Council:</u>			
Salaries	17,000	16,779	(221)
Payroll Taxes	1,301	1,284	(17)
Retirement	610	400	(210)
Workers Compensation	357	-	(357)
Meetings and Seminars	12,000	4,914	(7,086)
Vehicle, Fuel, and Oil	1,200	387	(813)
Telephone	3,400	1,983	(1,417)
Non-Capital Tools and Equipment	500	381	(119)
Insurance	2,400	144	(2,256)
Miscellaneous and Contingency	6,000	5,759	(241)
Citizens and Employee Services	4,500	2,894	(1,606)
Total Mayor and Council	49,268	34,925	(14,343)
<b>ADMINISTRATION</b>			
Salaries - Employees	291,045	300,535	9,490
Payroll Taxes	22,265	22,734	469
Retirement	27,329	28,274	945
Group Health Insurance	35,796	35,775	(21)
Workers Compensation	7,240	7,860	620
Print and Office Supplies	14,500	12,549	(1,951)
Bank Service Charges	500	300	(200)
Membership and Dues	4,530	3,675	(855)
Membership and Seminars	4,000	4,952	952
Vehicle, Fuel, and Oil	4,700	1,920	(2,780)
Electric and Gas	7,000	7,116	116
Telephone and Cable	\$ 12,608	10,624	\$ (1,984)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	2009		
	FINAL BUDGET	ACTUAL	VARIANCE
<b>ADMINISTRATION (CONTINUED)</b>			
Water and Sewer	\$ 2,840	2,024	\$ (816)
Noncapital Tools and Equipment	1,250	754	(496)
Maintenance and Service Contracts	27,551	22,520	(5,031)
Machine and Equipment Repair	1,500	803	(697)
Cleaning and Sanitary Supplies	1,200	1,115	(85)
Storm Preparation & Cleanup	3,000	503	(2,497)
Medical and Lab	840	406	(434)
LTD Insurance	902	1,011	109
Advertising	23,000	14,311	(8,689)
Insurance	30,000	14,177	(15,823)
Rent and Leases	11,460	12,537	1,077
Employee Training	8,500	2,161	(6,339)
Professional Services	33,142	35,585	2,443
Election Expenses	3,000	9,388	6,388
Miscellaneous	20,350	20,817	467
Total Administration	<u>600,048</u>	<u>574,426</u>	<u>(25,622)</u>
<b>JUDICIAL AND LEGAL</b>			
Salaries - Employees	48,452	50,171	1,719
Salaries - Part-time	21,609	21,057	(552)
Payroll Taxes	5,360	5,368	8
Retirement	6,579	6,668	89
Group Health Insurance	7,080	7,075	(5)
Workers Compensation	1,695	1,707	12
Print and Office Supplies	5,000	2,769	(2,231)
Bank Service Charges	700	306	(394)
Membership and Dues	300	190	(110)
Membership and Seminars	1,000	908	(92)
Telephone and Cable	4,300	2,586	(1,714)
Maintenance and Service Contracts	4,050	3,757	(293)
LTD Insurance	141	167	26
Insurance	700	421	(279)
Employee Training	5,400	2,465	(2,935)
Professional Services	65,000	30,371	(34,629)
Non-capital Tools & Equipment	500	393	(107)
Miscellaneous and Contingency	1,000	954	(46)
Total Judicial and Legal	<u>178,866</u>	<u>137,333</u>	<u>(41,533)</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>\$ 828,182</u>	<u>746,684</u>	<u>\$ (81,498)</u>

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	2009		
	FINAL BUDGET	ACTUAL	VARIANCE
<b>PUBLIC SAFETY</b>			
<u>Police Department:</u>			
Salaries - Employees	\$ 1,198,423	1,142,416	\$ (56,007)
Payroll Taxes	91,679	83,863	(7,816)
Retirement	126,688	121,630	(5,058)
Group Health Insurance	229,311	206,438	(22,873)
Workers Compensation	59,415	43,718	(15,697)
Print and Office Supplies	15,420	14,588	(832)
Membership and Dues	1,295	1,350	55
Membership and Seminars	3,000	1,583	(1,417)
Vehicle, Fuel, and Oil	129,339	64,864	(64,475)
Vehicle Maintenance	27,000	25,617	(1,383)
Electric and Gas	7,000	7,217	217
Telephone and Cable	29,688	26,491	(3,197)
Water and Sewer	2,500	1,670	(830)
Noncapital Tools and Equipment	1,200	1,782	582
Maintenance and Service Contracts	20,804	19,638	(1,166)
Machine and Equipment Repair	6,000	7,642	1,642
Uniforms	18,015	15,332	(2,683)
Cleaning and Sanitary Supplies	1,200	1,905	705
Medical and Lab	5,500	4,752	(748)
LTD Insurance	3,715	3,814	99
Insurance	66,000	51,863	(14,137)
Rent and Leases	2,600	3,619	1,019
Employee Training	8,980	9,404	424
Professional Services	7,250	4,413	(2,837)
Miscellaneous and Contingency	3,750	2,873	(877)
Canine Kennel Expenses	1,000	947	(53)
Total Police Department	<u>2,066,772</u>	<u>1,869,429</u>	<u>(197,343)</u>
<u>Fire Department:</u>			
Salaries - Employees	1,242,627	1,292,425	49,798
Salaries - Part Time	17,077	92,268	75,191
Payroll Taxes	96,367	103,808	7,441
Retirement	138,811	152,772	13,961
Group Health Insurance	237,112	237,139	27
Workers Compensation	62,532	46,349	(16,183)
Unemployment Compensation	-	5,783	5,783
Print and Office Supplies	8,000	6,344	(1,656)
Membership and Dues	2,000	1,646	(354)
Membership and Seminars	\$ 3,000	513	\$ (2,487)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	2009		
	FINAL BUDGET	ACTUAL	VARIANCE
<b>PUBLIC SAFETY (CONTINUED)</b>			
<u>Fire Department: (Continued)</u>			
Vehicle, Fuel, and Oil	\$ 42,035	20,675	\$ (21,360)
Vehicle Maintenance	45,000	61,958	16,958
Electric and gas	20,229	19,950	(279)
Telephone and Cable	20,804	16,810	(3,994)
Water and Sewer	4,000	6,606	2,606
Noncapital Tools and Equipment	5,000	6,449	1,449
Maintenance and Service Contracts	15,000	12,721	(2,279)
Machine and Service Repairs	12,000	11,316	(684)
Uniforms	25,000	20,737	(4,263)
Cleaning and Sanitary Supplies	5,000	2,150	(2,850)
Medical and Lab	18,000	14,374	(3,626)
LTD Insurance	3,852	4,396	544
Insurance	56,000	47,473	(8,527)
Rent and Leases	4,360	6,221	1,861
Employee Training	20,000	14,717	(5,283)
Professional Services	3,500	3,824	324
Miscellaneous and Contingency	7,000	4,243	(2,757)
Volunteer Point Allocation	4,000	4,000	-
Total Fire Department	2,118,306	2,217,667	99,361
<b>TOTAL PUBLIC SAFETY</b>	<b>4,185,078</b>	<b>4,087,096</b>	<b>(97,982)</b>
<b>BUILDING, PLANNING, AND ENGINEERING</b>			
Salaries - Employees	184,762	179,794	(4,968)
Payroll Taxes	14,134	13,186	(948)
Retirement	17,349	17,031	(318)
Group Health Insurance	30,659	33,759	3,100
Workers Compensation	4,590	4,113	(477)
Print and Office Supplies	11,700	8,100	(3,600)
Membership and Dues	1,000	489	(511)
Membership and Seminars	2,500	109	(2,391)
Vehicle, Fuel, and Oil	6,764	4,201	(2,563)
Vehicle Maintenance	1,000	127	(873)
Electric and Gas	2,678	2,054	(624)
Telephone and Cable	8,652	7,433	(1,219)
Water and Sewer	830	758	(72)
Non-Capital Tools & Equipment	500	198	(302)
Maintenance and Service Contracts	\$ 4,050	3,224	\$ (826)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	2009		
	FINAL BUDGET	ACTUAL	VARIANCE
<b>BUILDING, PLANNING, AND ENGINEERING (CONTINUED)</b>			
Machine and Equipment Repair	\$ 500	-	\$ (500)
Uniforms	750	438	(312)
Cleaning and Sanitary Supplies	500	528	28
Medical and Lab	150	122	(28)
LTD Insurance	573	595	22
Insurance	11,500	7,279	(4,221)
Rent and Leases	3,180	1,942	(1,238)
Employee Training	2,500	856	(1,644)
Professional Services	13,000	7,433	(5,567)
Miscellaneous and Contingency	750	317	(433)
<b>TOTAL BUILDING, PLANNING AND ENGINEERING</b>	<b>324,571</b>	<b>294,086</b>	<b>(30,485)</b>
<b>PUBLIC WORKS</b>			
Salaries - Employees	418,247	398,418	(19,829)
Salaries - Part Time	9,323	17	(9,306)
Payroll Taxes	32,709	29,869	(2,840)
Retirement	40,149	37,527	(2,622)
Group Health Insurance	85,824	79,779	(6,045)
Workers Compensation	30,999	20,645	(10,354)
Unemployment Compensation	-	1,836	1,836
Print and Office Supplies	1,000	425	(575)
Membership and Dues	400	335	(65)
Membership and Seminars	500	-	(500)
Vehicle, Fuel, and Oil	120,373	65,277	(55,096)
Vehicle Maintenance	85,000	84,474	(526)
Electric and Gas	61,800	69,125	7,325
Telephone and Cable	8,205	5,934	(2,271)
Water and Sewer	2,400	2,944	544
Noncapital Tools and Equipment	2,000	1,335	(665)
Maintenance and Service Contracts	5,608	4,343	(1,265)
Machine and Equipment Repair	3,000	4,366	1,366
Uniforms	6,000	5,893	(107)
Cleaning and Sanitary Supplies	2,000	1,492	(508)
Medical and Lab	3,000	3,190	190
LTD Insurance	1,297	1,314	17
Street Signs	4,000	3,319	(681)
Insurance	46,000	30,629	(15,371)
Rent and Leases	500	190	(310)
Employee Training	1,900	-	(1,900)
Professional Services	\$ 600	800	\$ 200

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	2009		
	FINAL BUDGET	ACTUAL	VARIANCE
<b>PUBLIC WORKS (CONTINUED)</b>			
Temporary Labor	\$ 127,920	143,678	\$ 15,758
Contracted Services	30,000	32,080	2,080
Miscellaneous and Contingency	1,250	978	(272)
Garbage Cart - Procurement	18,600	6,572	(12,028)
<b>TOTAL PUBLIC WORKS</b>	<b>1,150,604</b>	<b>1,036,784</b>	<b>(113,820)</b>
<b>CULTURE AND RECREATION</b>			
<u>Recreation Department:</u>			
Salaries - Employees	270,699	268,141	(2,558)
Salaries - Part Time	143,464	126,963	(16,501)
Payroll Taxes	31,683	30,022	(1,661)
Retirement	25,419	28,210	2,791
Group Health Insurance	51,934	51,896	(38)
Workers Compensation	12,052	8,096	(3,956)
Unemployment Compensation	-	93	93
Print and Office Supplies	8,600	9,459	859
Membership and Dues	1,600	1,285	(315)
Membership and Seminars	2,000	1,577	(423)
Vehicle, Fuel, and Oil	6,234	3,637	(2,597)
Vehicle Maintenance	1,200	1,116	(84)
Electric and Gas	36,500	32,527	(3,973)
Telephone and Cable	8,200	8,903	703
Water and Sewer	4,738	3,819	(919)
Noncapital Tools and Equipment	2,000	2,939	939
Maintenance and Service Contracts	21,800	32,422	10,622
Machine and Equipment Repair	2,000	2,954	954
Uniforms	1,950	1,539	(411)
Cleaning and Sanitary Supplies	3,450	3,461	11
Medical and Lab	1,000	806	(194)
LTD Insurance	839	902	63
Insurance	34,000	28,414	(5,586)
Rent and Leases	4,000	3,439	(561)
Employee Training	3,300	2,542	(758)
Miscellaneous and Contingency	4,500	3,606	(894)
<b>Total Recreation Department</b>	<b>\$ 683,162</b>	<b>658,768</b>	<b>\$ (24,394)</b>

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	<b>2009</b>		
	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>CULTURE AND RECREATION (CONTINUED)</b>			
<u>Recreation Instruction:</u>			
Four Year Old Play Group	\$ 750	569	\$ (181)
Gymnastics	2,500	2,376	(124)
Special Activities	19,500	16,377	(3,123)
Day Camp	12,000	12,244	244
Karate	2,000	1,863	(137)
Aerobics	8,000	5,922	(2,078)
Adult Sports	14,000	15,045	1,045
Youth Sports	27,000	27,795	795
Keenagers	3,000	2,677	(323)
Total Recreation Instruction	<u>88,750</u>	<u>84,868</u>	<u>(3,882)</u>
<b>TOTAL CULTURE AND RECREATION</b>	<u>771,912</u>	<u>743,636</u>	<u>(28,276)</u>
<b>NON-DEPARTMENTAL</b>			
Parking Meters			
Salaries - Part Time	37,440	14,452	(22,988)
Payroll Taxes	2,864	1,007	(1,857)
Workers Compensation	943	-	(943)
Total Parking Meters	<u>41,247</u>	<u>15,459</u>	<u>(25,788)</u>
<b>TOTAL NON-DEPARTMENTAL</b>	<u>41,247</u>	<u>15,459</u>	<u>(25,788)</u>
<b>DEBT SERVICE</b>			
Principal	310,000	266,000	(44,000)
Interest	383,653	194,221	(189,432)
<b>TOTAL DEBT SERVICE</b>	<u>693,653</u>	<u>460,221</u>	<u>(233,432)</u>
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<u>\$ 7,995,247</u>	<u>7,383,966</u>	<u>\$ (611,281)</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY TYPE - ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2009

	GENERAL GOVERNMENT			PUBLIC SAFETY
	MAYOR AND COUNCIL	ADMIN-ISTRATION	JUDICIAL AND LEGAL	POLICE DEPARTMENT
Salaries - Supervisors	\$ 16,779	-	-	-
Salaries - Employees	-	300,535	50,171	1,142,416
Salaries - Part Time	-	-	21,057	-
Payroll Taxes	1,284	22,734	5,368	83,863
Retirement	400	28,274	6,668	121,630
Group Health Insurance	-	35,775	7,075	206,438
Workers Compensation	-	7,860	1,707	43,718
Unemployment Compensation	-	-	-	-
Print and Office Supplies	-	12,549	2,769	14,588
Membership and Dues	-	3,675	190	1,350
Meeting and Seminars	4,914	4,952	908	1,583
Vehicle, Fuel, and Oil	387	1,920	-	64,864
Vehicle Maintenance	-	-	-	25,617
Electric and gas	-	7,116	-	7,217
Telephone and Cable	1,983	10,624	2,586	26,491
Water and Sewer	-	2,024	-	1,670
Noncapital Tools and Equipment	381	754	393	1,782
Maintenance and Service Contract	-	22,520	3,757	19,638
Machine and Equipment Repair	-	803	-	7,642
Uniforms	-	-	-	15,332
Cleaning and Sanitary Supplies	-	1,115	-	1,905
Storm Preparation & Cleanup	-	503	-	-
Medical and Lab	-	406	-	4,752
LTD Insurance	-	1,011	167	3,814
Advertising	-	14,311	-	-
Street Signs	-	-	-	-
Insurance	144	14,177	421	51,863
Advertising	-	12,537	-	3,619
Employee Training	-	2,161	2,465	9,404
Professional Services	-	35,585	30,371	4,413
Temporary Labor	-	-	-	-
Contracted Services	-	-	-	-
Miscellaneous and Contingency	5,759	20,817	954	2,873
Volunteer Point Allocation	-	-	-	-
Citizens and Employee Services	2,894	-	-	-
Canine Kennel Expenses	-	-	-	947
Recreation Instruction Expense	-	-	-	-
Garbage Cart Procurement	-	-	-	-
Election Expenses	-	9,388	-	-
Bank Service Charges	-	300	306	-
<b>TOTAL DEPARTMENTAL EXPENDITURES</b>	<b>\$ 34,925</b>	<b>574,426</b>	<b>137,333</b>	<b>1,869,429</b>

<b>PUBLIC SAFETY FIRE DEPARTMENT</b>	<b>BUILDING, PLANNING AND ENGINEERING</b>	<b>PUBLIC WORKS DEPARTMENT</b>	<b>CULTURE AND RECREATION</b>	<b>NON DEPART- MENTAL PARKING METERS</b>	<b>2009 TOTAL</b>
-	-	-	-	-	\$ 16,779
1,292,425	179,794	398,418	268,141	-	3,631,900
92,268	-	17	126,963	14,452	254,757
103,808	13,186	29,869	30,022	1,007	291,141
152,772	17,031	37,527	28,210	-	392,512
237,139	33,759	79,779	51,896	-	651,861
46,349	4,113	20,645	8,096	-	132,488
5,783	-	1,836	93	-	7,712
6,344	8,100	425	9,459	-	54,234
1,646	489	335	1,285	-	8,970
513	109	-	1,577	-	14,556
20,675	4,201	65,277	3,637	-	160,961
61,958	127	84,474	1,116	-	173,292
19,950	2,054	69,125	32,527	-	137,989
16,810	7,433	5,934	8,903	-	80,764
6,606	758	2,944	3,819	-	17,821
6,449	198	1,335	2,939	-	14,231
12,721	3,224	4,343	32,422	-	98,625
11,316	-	4,366	2,954	-	27,081
20,737	438	5,893	1,539	-	43,939
-	528	1,492	3,461	-	8,501
2,150	-	-	-	-	2,653
14,374	122	3,190	806	-	23,650
4,396	595	1,314	902	-	12,199
-	-	-	-	-	14,311
-	-	3,319	-	-	3,319
47,473	7,279	30,629	28,414	-	180,400
6,221	1,942	190	3,439	-	27,948
14,717	856	-	2,542	-	32,145
3,824	7,433	800	-	-	82,426
-	-	143,678	-	-	143,678
-	-	32,080	-	-	32,080
4,243	317	978	3,606	-	39,547
4,000	-	-	-	-	4,000
-	-	-	-	-	2,894
-	-	-	-	-	947
-	-	-	84,868	-	84,868
-	-	6,572	-	-	6,572
-	-	-	-	-	9,388
-	-	-	-	-	606
<b>2,217,667</b>	<b>294,086</b>	<b>1,036,784</b>	<b>743,636</b>	<b>15,459</b>	<b>6,923,745</b>
					<b>460,221</b>
					<b>\$ 7,383,966</b>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES  
GENERAL FUND

YEAR ENDED JUNE 30, 2009

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**Court Fines**

Court Fines Collected	\$ 106,109
Court Fines Retained by the City	(106,109)
<b>Total Court Fines Remitted to State Treasurer</b>	<u><u>-</u></u>

**Court Assessments**

Court Assessments Collected	60,982
Court Assessments Retained by the City	-
<b>Total Court Assessments Remitted to the State Treasurer</b>	<u><u>60,982</u></u>

**Court Surcharges**

Court Surcharges Collected	30,281
Court Surcharges Retained by the City	-
<b>Total Court Surcharges Remitted to the State Treasurer</b>	<u><u>30,281</u></u>

**Court Pullouts**

Court Pullouts Collected	897
Court Pullouts Retained by the City	-
<b>Total Court Pullouts Remitted to the State Treasurer</b>	<u><u>897</u></u>

**Victims' Assistance Fund**

<b>Funds Available for Carryforward, Beginning of Year</b>	125,111
Court Assessments and Surcharges Allocated to Victim Assistance Fund	13,181
Interest Earned	832
Victim Assistance Fund Expenditures	(1,850)
<b>Funds Available for Carryforward, End of Year</b>	<u><u>\$ 137,274</u></u>

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Isle of Palms, South Carolina (the “City”), as of and for the year ended June 30, 2009, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 8, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s basic financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s basic financial statements are free of 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 basic 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*.

We noted certain matters that we reported to management of the City in a separate letter dated December 8, 2009.

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

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 8, 2009