

CITY OF ISLE OF PALMS, SOUTH CAROLINA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008



CITY OF ISLE OF PALMS, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2008

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CITY OF ISLE OF PALMS, SOUTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
YEAR ENDED JUNE 30, 2008

MAYOR

F. Michael Sottile

CITY COUNCIL MEMBERS

J. Martin Bettelli

Ryan L. Buckhannon

Dick Cronin

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, 2008, 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, 2008, 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 October 15, 2008 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
October 15, 2008

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

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, 2008. 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 \$19,786,000 (*net assets*). Of this amount, approximately \$16,435,000 and \$3,351,000 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 \$7,796,000 for its governmental activities and approximately \$2,063,000 for its business-type activities.
- The City's total net assets increased by approximately \$1,570,000, as total revenues of approximately \$14,071,000 exceeded total expenses of approximately \$12,501,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$11,400,000, an increase of approximately \$472,000 over the prior year's fund balance. Approximately 24% of this total amount, or approximately \$2,711,000, is available for spending at the City's discretion (*unreserved, undesignated fund balance*).
- With respect to governmental activities total assets, liabilities, fund balances, revenues and expenses, it is important to note that this fiscal year has been significantly impacted by the City's beach restoration project. At the close of the fiscal year, the Beach Restoration Fund held assets of approximately \$6,049,000. Revenues (current and deferred) contributed by the private property owners of the affected area totaled \$7,108,000 and loan proceeds obtained by the City generated another \$1,700,000. As of June 30, 2008, \$3,051,000 had been expended toward the project. Except for certain required post-project monitoring activities, the major construction activity related to this project will be completed in fiscal year 2009.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was approximately \$1,996,000, or 29% of total General Fund expenditures for the year ended June 30, 2008.
- The City's total capital assets increased by approximately \$1,959,000 (12%) during the current fiscal year, primarily due to capital asset additions of approximately \$3,080,000, partially offset by depreciation expense of approximately \$1,095,000 and net disposals of capital assets of approximately \$26,000. Capital asset additions were primarily related to the completion of construction on a new fire station, the design of a new public safety building and the purchase of vehicles, radios and other equipment.
- The City's total debt (including capital leases) increased by approximately \$1,210,000 (12%) during the current fiscal year. This increase was primarily due to a loan for beach restoration (\$1,700,000) and a new capital lease for a garbage truck (\$162,000), offset by principal payments of approximately \$652,000.
- The City continues to hold bond ratings of "A+" from Standard & Poor's and "A1" from Moody's.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

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 Statement of Net Assets and the Statement of Activities) 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.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

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, 2008

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) and the City’s component unit	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 site	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"> ▪ Statement of Net Assets ▪ Statement of Activities 	<ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> ▪ Statement of Net Assets ▪ Statement of Revenues, Expenses and Changes in Net Assets ▪ Statement of Cash Flows 	<ul style="list-style-type: none"> ▪ Statement of Fiduciary Assets and Liabilities ▪ Statement of Changes in Fiduciary Assets and Liabilities (excluding agency funds)
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 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; the City’s funds do not currently contain capital assets, although they can
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, 2008

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 2008 compared to 2007:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and Other Assets	\$ 16,999,733	12,326,711	2,226,107	1,843,120	19,225,840	\$ 14,169,831
Capital Assets, Net	13,860,665	11,802,365	4,139,105	4,238,194	17,999,770	16,040,559
Total Assets	30,860,398	24,129,076	6,365,212	6,081,314	37,225,610	30,210,390
Liabilities:						
Long-Term Obligations	8,773,673	7,302,976	2,925,000	3,150,000	11,698,673	10,452,976
Other Liabilities	5,651,129	1,465,014	89,526	75,851	5,740,655	1,540,865
Total Liabilities	14,424,802	8,767,990	3,014,526	3,225,851	17,439,328	11,993,841
Net Assets:						
Invested in Capital Assets, Net of Related Debt	5,642,831	6,638,890	1,287,865	1,168,924	6,930,696	7,807,814
Restricted	2,996,982	2,354,541	-	-	2,996,982	2,354,541
Unrestricted	7,795,783	6,367,655	2,062,821	1,686,539	9,858,604	8,054,194
Total Net Assets	\$ 16,435,596	15,361,086	3,350,686	2,855,463	19,786,282	\$ 18,216,549

* Certain amounts have been restated. See the notes to the basic financial statements for more information.

City (Primary Government)

The City's total assets of \$37,226,000 increased approximately \$7,015,000 over the prior year. The increase is primarily due to \$6,040,000 in cash held in the Beach Restoration Fund, new leased equipment of \$160,000 and a general growth in assets resulting from revenues exceeding expenses. Total liabilities as of June 30, 2008 increased by approximately \$5,445,000 from the prior year primarily due to deferred revenue related to beach restoration contributions of \$4,268,000, a loan of \$1,700,000 for beach restoration and a new lease of \$160,000 for a garbage truck. Increases in debt were offset by principal payments made during the year on the City's long-term obligations.

The City's net assets increased by approximately \$1,570,000 during the current fiscal year due to a large inflow of cash for beach restoration and current year revenues exceeding current year expenses. Please see the discussion following the next table regarding this increase.

The City's assets exceeded liabilities by approximately \$19,786,000 as of June 30, 2008. Approximately 35% of total net assets (\$6,931,000) reflects the City's investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since, generally, the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 15% of net assets (\$2,997,000) represents 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 (50% or \$9,858,000) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF ISLE OF PALMS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City (Primary Government) (Continued)

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.

The following table shows the changes in the City's net assets for fiscal year 2008 compared to 2007.

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,193,589	2,997,291	369,454	404,161	3,563,043	\$ 3,401,452
Operating Grants and Contributions	36,937	-	-	-	36,937	-
Capital Grants and Contributions	2,857,090	6,000	-	-	2,857,090	6,000
General Revenues:						
Taxes	6,828,166	5,882,388	-	-	6,828,166	5,882,388
Other	710,616	967,683	75,278	(25,329)	785,894	942,354
Total Revenues	13,626,398	9,853,362	444,732	378,832	14,071,130	10,232,194
Expenses:						
General Government	4,361,557	1,260,406	-	-	4,361,557	1,260,406
Public Safety	4,483,718	3,915,767	-	-	4,483,718	3,915,767
Building, Planning and Engineering	289,460	264,707	-	-	289,460	264,707
Public Works	1,515,897	1,552,316	-	-	1,515,897	1,552,316
Culture and Recreation	912,911	810,101	-	-	912,911	810,101
Non-Departmental	224,205	230,667	-	-	224,205	230,667
Interest on Long-Term Obligations	272,276	257,905	-	-	272,276	257,905
Marina	-	-	441,373	367,869	441,373	367,869
Total Expenses	12,060,024	8,291,869	441,373	367,869	12,501,397	8,659,738
Increase in Net Assets Before Transfers	1,566,374	1,561,493	3,359	10,963	1,569,733	1,572,456
Transfers	(491,864)	(402,079)	491,864	402,079	-	-
Increase in Net Assets	1,074,510	1,159,414	495,223	413,042	1,569,733	1,572,456
Net Assets - Beginning of Year	15,361,086	14,201,672	2,855,463	2,442,421	18,216,549	16,644,093
Net Assets - End of Year	\$ 16,435,596	15,361,086	3,350,686	2,855,463	19,786,282	\$ 18,216,549

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City (Primary Government) (Continued)

Governmental Activities: Governmental activities generated \$1,075,000 (68%) of the \$1,570,000 increase in City-wide net assets.

Compared to the prior fiscal year, total governmental activities revenue increased by approximately \$3,773,000 or 38%. Key changes compared to fiscal year 2007 were as follows:

- The single largest cause of the increase was approximately \$2,840,000 of revenue recognized in connection with the beach restoration project. \$4,268,000 of additional cash received from the affected property owners was recorded as deferred revenue until fiscal year 2009, when the project is expected to be substantially completed.
- Property tax revenue increased by approximately \$841,000 or 27%. The increase in tax revenue relates to a 4.8% cost of living and growth adjustment to the operating millage rate for 2008 (from 17.9 to 18.8 mills) and a 3 mil increase for debt service on the new public safety building.
- Business license revenue increased by approximately \$65,000 or 9%, reflecting a steady level of business activity on the island that was boosted by revenues paid this year related to two significant projects – the beach restoration project and the public safety building.
- Building permit revenue was down approximately \$28,000 or 11%, reflecting a general decrease in construction activity. Neither the beach restoration project nor the public safety building generated building permit revenue during the fiscal year.
- Insurance license revenue increased \$145,000. These revenues are paid by insurance companies as a percentage of premiums paid on Isle of Palms' properties. The increase can be attributed to a general trend of rising insurance premiums as well as the additional premiums generated by approximately 100 new residences created with the completion of the Village at Wild Dunes.
- Parking lot revenue was down approximately \$44,000 from 2007, primarily resulting from a difference in the timing of periodic payments.
- Total accommodations related revenues increased approximately \$113,000 or 7%, primarily due to continued solid rental performance (particularly in the early part of the year), the addition of the Village at Wild Dunes and increased collection efforts.
- Interest income in the governmental funds decreased approximately \$177,000 or 32% due primarily to lower rates and a decrease in cash balances as bond proceeds were used to complete construction of the 41st Avenue fire station.

Total governmental activities expenses increased by approximately \$3,768,000, or 45%, over the prior year. Key changes in governmental expenses as compared to the prior year were as follows:

- By far the single largest contributor to the increase in governmental activity expense is the beach restoration project. The City did not have any expenses related to beach restoration in 2007, but incurred expense of \$3,051,000 in 2008. The major construction activity of this project will be substantially complete by the end of fiscal year 2009.
- Salary expense increased by approximately \$368,000, or 11%, attributable to a 3% cost of living adjustment, merit increases and a full year of salaries on several new positions in General Government and the Police Department. Also, positions that were vacant for portions of fiscal year 2007 were filled for a full twelve months in 2008.
- Total fringe expense increased \$192,000 primarily due to a change whereby the City now absorbs 50% of the cost of dependent health care premiums. The State of South Carolina also mandated an increase in the employer portion of retirement contributions for non-public safety employees from 8.2% to 9.21% of gross salaries.
- Vehicle fuel expense increased by approximately \$52,000 or 36% due to the rise in cost of unleaded and diesel fuels.
- Vehicle maintenance expense increased by approximately \$55,000, due in most part to major repairs on a garbage truck damaged in an accident. The associated insurance proceeds were actually received in fiscal year 2007 and recorded as miscellaneous revenue.
- Total expense for interest on long-term obligations increased by \$84,000 with a full year of interest being paid on Fire Station 2 compared to fiscal year 2007 which included only five months of interest expense.

CITY OF ISLE OF PALMS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City (Primary Government) (Continued)

Business-Type Activities: Net assets related to business-type activities (the marina) increased by approximately \$495,000. Almost all of this increase was due to transfers from other funds which totaled approximately \$492,000. These transfers were made to cover approximately 90% of the debt service on the marina's general obligation bonds and to increase the reserve for future bulkhead replacement. The bulkhead is scheduled for replacement beginning in the fall of 2008.

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 \$11,400,000, an increase of approximately \$472,000 over the prior year's combined fund balance.

Approximately 24% of the total governmental fund balance (\$2,711,000) 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 recovery efforts on future disasters (\$1,748,000), (2) for tourism-related expenditures or operating expenses incurred to serve tourists (\$2,188,000), (3) for fire station rebuilding costs (\$1,448,000), (4) for beach restoration (\$1,700,000), (5) for debt service (\$595,000), (6) for drainage initiatives (\$404,000) and (7) for other purposes primarily related to police department initiatives, recreation center improvements, island beautification, victims' services, narcotics program and inventories on hand (\$605,000).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was approximately \$2,676,000. As a measure of the General Fund's liquidity, it may be useful to compare total unreserved fund balance to total General Fund expenditures. Total unreserved, undesignated fund balance of the General Fund (\$1,996,000) represents approximately 29% of total General Fund expenditures (\$6,870,000). The unreserved, undesignated fund balance increased by approximately \$304,000 from the prior year.

Highlights for the General Fund were as follows:

- Property tax revenue is stable. The millage rate increased by a cost of living adjustment of 3.2% and a growth factor of 1.6%. The City also enacted a 3 mill increase to fund debt service on the new public safety building. Total operating millage is 18.8 and total debt service millage is 3.6. In all, the City collected approximately \$841,000 more in property taxes in fiscal year 2008 than in fiscal year 2007.
- With the exception of building permits, every other major category of license and permit revenue were up from the prior year. Total revenues from licenses and fees were approximately \$2,554,000, an increase of approximately \$216,000 from fiscal year 2007.
- Parking lot revenues were down due primarily to the timing of periodic payments. Also construction staging for the new public safety building may have taken over space typically used for paid parking.
- Interest income was down approximately \$49,000, primarily as a result of lower rates.
- Departmental expenses were well controlled. Debt service expenses in the General Fund were approximately \$595,000 below budget because debt on the public safety building was not issued until early in fiscal year 2009. This savings was captured in a reserve for debt service at year end. Other General Fund expenses were \$130,000 below budget.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

The total fund balance of the remaining governmental funds (Capital Projects and Special Revenue Funds) decreased by approximately \$347,000 from the prior year as 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 north end of the island. At June 30, 2008, this fund balance equaled \$1,700,000.
- The Capital Projects Fund expended approximately \$1,654,000 to complete construction on the Fire Station 2, \$473,000 towards the design and initial construction of the public safety building and \$548,000 for various capital purchases. The ending fund balance in the Capital Projects Fund was approximately \$2,808,000.
- Accommodations-related revenues continued to be strong with revenues exceeding those of fiscal year 2007 by a combined 8%. These funds were expended for various tourism related efforts, including maintenance of the front beach area and restrooms, lease payments on fire and public works vehicles, purchases of police patrol vehicles, debt service on the recreation center and marina, special events such as the 4th of July fireworks show and savings for the marina bulkhead replacement. At June 30, 2008, the Municipal Accommodations Fee Fund had a fund balance of approximately \$874,000 while the State Accommodations Tax Fund had a balance of approximately \$885,000.
- The Disaster Recovery Fund balance increased by approximately \$69,000 in interest revenue. The fund balance at June 30, 2008 is approximately \$1,748,000. 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.
- The Hospitality Tax Fund balance at June 30, 2008 was approximately \$430,000. Hospitality tax revenues (including interest) were approximately \$483,000 in 2008, the third full year of implementation. \$200,000 of these revenues were transferred to the Capital Projects Fund and added to the reserve for the replacement of fire stations and \$100,000 was transferred to the Beach Restoration Fund as part of the City's contribution to that project.

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 the fiscal year amounted to approximately \$3,351,000.

Fiduciary Funds. 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 fire insurance companies. Agency funds are custodial in nature and do not present results of operations. The Fiduciary Fund had amounts held for custody of others of approximately \$68,000 at June 30, 2008.

General Fund Budgetary Highlights: If budget amendments are made they generally fall into one of three categories: 1) amendments made to adjust the estimates that are 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 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's net investment in capital assets as of June 30, 2008, amounted to approximately \$18,000,000. This investment in capital assets includes land, construction in progress, buildings, improvements, equipment and other infrastructure.

CITY OF ISLE OF PALMS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The City's capital assets (net of depreciation) as of June 30, 2008 and 2007 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,913,446	2,913,446	3,035,786	3,035,786	5,949,232	\$ 5,949,232
Construction in Progress	480,621	1,869,764	38,453	38,453	519,074	1,908,217
Land Improvements	1,314,087	1,291,991	199,684	206,289	1,513,771	1,498,280
Buildings and Building Improvements	6,170,712	2,919,573	531,999	570,597	6,702,711	3,490,170
Vehicles and Vehicle Equipment	1,840,707	1,895,429	-	-	1,840,707	1,895,429
Equipment	1,098,571	863,282	31,959	56,108	1,130,530	919,390
Furniture and Fixtures	42,521	48,880	-	-	42,521	48,880
Docks	-	-	301,224	330,961	301,224	330,961
Total	\$ 13,860,665	11,802,365	4,139,105	4,238,194	17,999,770	\$ 16,040,559

The total increase in the City's investment in capital assets for the current fiscal year was approximately \$1,959,000 or 12%. Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$3,080,000 which consisted primarily of:
 - Completed construction of the new Fire Station 2 - \$1,654,000.
 - Continued work on the design and engineering of a new public safety building - \$473,000.
 - Purchased (via a capital lease) a Mack garbage truck - \$162,000.
 - Purchased digital radios in preparation for Charleston County's communications conversion - \$333,000.
 - Purchased various improvements, vehicles, computers and other equipment - \$458,000.
- Depreciation expense of approximately \$991,000 for governmental activities and \$104,000 for business-type activities.

As of June 30, 2008, the City has approximately \$6,172,000 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, 2008, the City had total outstanding debt of approximately \$11,470,000. Of this total, \$8,765,000 was general obligation debt which is backed by the full faith and credit of the City.

The City's total debt and capital lease obligations as of June 30, 2008 and 2007 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 5,840,000	6,065,000	2,925,000	3,150,000	8,765,000	\$ 9,215,000
Bank Loan	1,700,000	-	-	-	1,700,000	-
Capital Lease Obligations	1,005,158	1,045,044	-	-	1,005,158	1,045,044
Total	\$ 8,545,158	7,110,044	2,925,000	3,150,000	11,470,158	\$ 10,260,044

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The total increase in the City's debt and capital leases for the current fiscal year was approximately \$1,210,000 or 12%. Major events during the current fiscal year included the following:

- New bank loan of \$1,700,000 for beach restoration
- New capital lease of \$162,000 for a Mack garbage truck.
- Scheduled principal payments on general obligation bonds of \$450,000.
- Scheduled principal payments on capital leases of approximately \$202,000.

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, 2008 was approximately \$16,000,000. The City had \$3,415,000 of bonded debt subject to the 8% limit and thus had an unused legal debt margin of approximately \$12,585,000.

The City of Isle of Palms maintains an "A1" rating from Moody's Investors Service and an "A+" rating from Standard & Poor's for its most recent general obligation bonds.

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 2009 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.

- **New Personnel:** The City's budget for the fiscal year 2009 does not include any new positions, but does include various one-time adjustments to salaries based on a thorough review of the City's wage ranges as compared to other municipalities in the area.
- **Beach Restoration:** The 2009 budget includes \$7,500,000 in expenditures related to the beach restoration project. Also budgeted is \$50,000 for ongoing monitoring of the entire beachfront so that future erosion problems can be identified and addressed in a timely manner.
- **Public Safety Building Construction:** Construction costs of \$7,552,000 are included in the budget. The project is expected to be completed in the summer of 2009.
- **Marina Bulkhead Construction:** The 2009 budget includes \$2,526,000 for construction of the new bulkhead at the marina. This project is expected to commence in the fall of 2008 and be completed by the Spring of 2009.
- **Millage:** The 2009 budget utilizes an estimated millage rate of 23.1 which includes a 2.9% cost of living adjustment. Subsequently, the City received new assessment information from Charleston County and decreased the amount of borrowing for the public safety building. Figuring these events into the calculation of property tax revenue needed, the City actually ratified a total millage rate of 22.2 for tax year 2008 (fiscal year 2009).

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.



Basic Financial Statements

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 15,406,275	1,242,817	\$ 16,649,092
Investments	503,962	833,390	1,337,352
Taxes Receivable, Net	138,475	-	138,475
Other Receivables, Net	798,057	76,140	874,197
Due from Other Governments	112,077	-	112,077
Inventory	40,887	-	40,887
Bond Issuance Costs, Net	-	73,760	73,760
Capital Assets:			
Non-Depreciable	3,394,067	3,074,239	6,468,306
Depreciable, Net	10,466,598	1,064,866	11,531,464
TOTAL ASSETS	30,860,398	6,365,212	37,225,610
LIABILITIES			
Accounts Payable	563,341	14,480	577,821
Other Accrued Liabilities	175,547	15,500	191,047
Court Assessments/Victims' Rights Payables	135,537	-	135,537
Accrued Interest	105,801	58,046	163,847
Unearned Revenue	4,670,903	1,500	4,672,403
Long-Term Obligations:			
Due Within One Year	908,790	225,000	1,133,790
Due in More Than One Year	7,864,883	2,700,000	10,564,883
TOTAL LIABILITIES	14,424,802	3,014,526	17,439,328
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,642,831	1,287,865	6,930,696
Restricted For:			
Tourism Related Expenditures	2,188,341	-	2,188,341
Debt Service	595,008	-	595,008
Victims' Services	125,111	-	125,111
Narcotics Program	27,547	-	27,547
Other	60,975	-	60,975
Unrestricted	7,795,783	2,062,821	9,858,604
TOTAL NET ASSETS	\$ 16,435,596	3,350,686	\$ 19,786,282

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, 2008

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
GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,310,546	161,989	36,937	2,857,090	1,745,470	-	\$ 1,745,470
Public Safety	4,483,718	-	-	-	(4,483,718)	-	(4,483,718)
Building, Planning, and Engineering	289,460	2,553,941	-	-	2,264,481	-	2,264,481
Public Works	1,515,897	-	-	-	(1,515,897)	-	(1,515,897)
Culture and Recreation	912,911	191,771	-	-	(721,140)	-	(721,140)
Non-Departmental	3,275,216	285,888	-	-	(2,989,328)	-	(2,989,328)
Interest on Long Term Obligations	272,276	-	-	-	(272,276)	-	(272,276)
Total Governmental Activities	12,060,024	3,193,589	36,937	2,857,090	(5,972,408)	-	(5,972,408)
Business-Type Activities:							
Marina	441,373	369,454	-	-	-	(71,919)	(71,919)
TOTAL GOVERNMENT	\$ 12,501,397	3,563,043	36,937	2,857,090	(5,972,408)	(71,919)	(6,044,327)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,965,099	-	3,965,099
Local Option Sales Taxes					561,093	-	561,093
Hospitality Taxes					466,980	-	466,980
Accommodations Taxes					1,834,994	-	1,834,994
Intergovernmental					297,423	-	297,423
Interest Income					383,631	75,278	458,909
Gain (Loss) on Disposal of Capital Assets					(16,355)	-	(16,355)
Miscellaneous					45,917	-	45,917
Transfers In (Out)					(491,864)	491,864	-
Total General Revenues and Transfers					7,046,918	567,142	7,614,060
CHANGE IN NET ASSETS					1,074,510	495,223	1,569,733
NET ASSETS, Beginning of Year					15,361,086	2,855,463	18,216,549
NET ASSETS, End of Year					16,435,596	3,350,686	\$ 19,786,282

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, 2008

	GENERAL FUND	CAPITAL PROJECTS FUND	MUNICIPAL ACCOM- MODATIONS FEE FUND
ASSETS			
Cash and Cash Equivalents	\$ 2,988,377	2,811,311	615,990
Investments	-	387,203	-
Taxes Receivable	138,475	-	-
Accounts Receivable	131,830	4,000	281,917
Due From:			
Other Governments	112,077	-	-
Other Funds	583	-	-
Inventory	40,887	-	-
TOTAL ASSETS	3,412,229	3,202,514	897,907
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	354,062	7,171	14,579
Other Accrued Liabilities	175,547	-	-
Court Assessments/Victims' Rights Payables	135,537	-	-
Due To:			
Other Funds	953	88	9,698
Deferred Revenue, Property Taxes	54,702	-	-
Deferred/Unearned Revenue, Other	15,240	387,203	-
TOTAL LIABILITIES	736,041	394,462	24,277
FUND BALANCES			
Reserved For:			
Inventory	40,887	-	-
Victims' Services	-	-	-
Narcotics Program	-	-	-
Capital Projects	-	327,324	-
Debt Service	595,008	-	-
Tourism Related Expenditures	-	-	873,630
Beach Restoration	-	-	-
Other	44,259	-	-
Unreserved:			
Designated For:			
Fire Station Improvements	-	1,120,910	-
Drainage Improvements	-	403,577	-
Recovery Efforts on Future Disasters	-	-	-
Recreation Center	-	-	-
Beautification	-	-	-
Other	-	241,043	-
Undesignated	1,996,034	715,198	-
TOTAL FUND BALANCES	2,676,188	2,808,052	873,630
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,412,229	3,202,514	897,907

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
680,813	1,647,928	378,415	6,039,502	243,939	\$ 15,406,275
-	100,043	-	-	16,716	503,962
-	-	-	-	-	138,475
307,986	319	54,523	-	17,482	798,057
-	-	-	-	-	112,077
-	-	-	9,673	953	11,209
-	-	-	-	-	40,887
988,799	1,748,290	432,938	6,049,175	279,090	17,010,942
103,826	-	2,730	80,715	258	563,341
-	-	-	-	-	175,547
-	-	-	-	-	135,537
470	-	-	-	-	11,209
-	-	-	-	-	54,702
-	-	-	4,268,460	-	4,670,903
104,296	-	2,730	4,349,175	258	5,611,239
-	-	-	-	-	40,887
-	-	-	-	125,111	125,111
-	-	-	-	27,547	27,547
-	-	-	-	-	327,324
-	-	-	-	-	595,008
884,503	-	430,208	-	-	2,188,341
-	-	-	1,700,000	-	1,700,000
-	-	-	-	16,716	60,975
-	-	-	-	-	1,120,910
-	-	-	-	-	403,577
-	1,748,290	-	-	-	1,748,290
-	-	-	-	56,165	56,165
-	-	-	-	53,293	53,293
-	-	-	-	-	241,043
-	-	-	-	-	2,711,232
884,503	1,748,290	430,208	1,700,000	278,832	11,399,703
988,799	1,748,290	432,938	6,049,175	279,090	\$ 17,010,942

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

JUNE 30, 2008

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 11,399,703
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.	54,702
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 \$19,391,851 and the accumulated depreciation was \$5,531,186.	13,860,665
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.	(105,801)
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	(7,540,000)
Capital Leases	(1,005,158)
Compensated Absences	(228,515)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ 16,435,596

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, 2008

	GENERAL FUND	CAPITAL PROJECTS FUND	MUNICIPAL ACCOM- MODATIONS FEE FUND
REVENUES			
Property Taxes	\$ 3,950,271	-	-
Local Option Sales Tax	561,093	-	-
Hospitality Taxes	-	-	-
Intergovernmental	297,423	17,550	848,893
Licenses and Permits	2,553,941	-	-
Fines and Forfeitures	141,713	-	-
Interest	76,595	117,546	40,899
Contributions of Cash	-	-	-
Revenues from Use of Property	285,889	-	-
Other	220,688	6,619	-
Grant Revenue	-	-	-
TOTAL REVENUES ALL SOURCES	8,087,613	141,715	889,792
EXPENDITURES			
Current:			
General Government	718,690	4,038	37,011
Public Safety	3,909,279	2,175,081	693
Building, Planning, and Engineering	283,505	-	-
Public Works	990,910	158,777	113,194
Culture and Recreation	699,926	14,991	-
Non-Departmental	46,755	-	116,205
Capital Outlay	-	548,410	216,647
Debt Service:			
Principal	111,000	101,043	92,522
Interest	110,308	20,637	46,244
TOTAL EXPENDITURES	6,870,373	3,022,977	622,516
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,217,240	(2,881,262)	267,276
OTHER FINANCING SOURCES (USES)			
Transfers In	33,219	749,772	-
Transfers Out	(434,936)	(200,000)	(343,317)
Loans Issued	-	-	-
Capital Leases	-	81,121	40,550
Sale of Capital Assets	4,005	-	5,530
TOTAL OTHER FINANCING SOURCES (USES)	(397,712)	630,893	(297,237)
NET CHANGES IN FUND BALANCES	819,528	(2,250,369)	(29,961)
FUND BALANCES, Beginning of Year	1,856,660	5,058,421	903,591
FUND BALANCES, End of Year	\$ 2,676,188	2,808,052	873,630

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
-	-	-	-	-	\$ 3,950,271
-	-	-	-	-	561,093
-	-	466,980	-	-	466,980
1,005,556	-	-	-	-	2,169,422
-	-	-	-	-	2,553,941
-	-	-	-	20,275	161,988
32,082	68,767	16,074	23,857	7,811	383,631
-	-	-	2,839,540	-	2,839,540
-	-	-	-	-	285,889
-	-	-	-	10,380	237,687
-	-	-	-	17,483	17,483
1,037,638	68,767	483,054	2,863,397	55,949	13,627,925
377,092	-	43,353	264	923	1,181,371
1,935	-	-	-	4,490	6,091,478
-	-	551	-	-	284,056
1,360	-	40,505	-	-	1,304,746
36,657	-	-	-	63	751,637
61,245	-	-	3,051,011	-	3,275,216
134,294	-	-	-	48,500	947,851
50,522	-	72,000	-	-	427,087
10,318	-	84,628	-	-	272,135
673,423	-	241,037	3,051,275	53,976	14,535,577
364,215	68,767	242,017	(187,878)	1,973	(907,652)
-	-	-	201,000	107,384	1,091,375
(291,864)	-	(300,000)	(13,122)	-	(1,583,239)
-	-	-	1,700,000	-	1,700,000
40,550	-	-	-	-	162,221
-	-	-	-	-	9,535
(251,314)	-	(300,000)	1,887,878	107,384	1,379,892
112,901	68,767	(57,983)	1,700,000	109,357	472,240
771,602	1,679,523	488,191	-	169,475	10,927,463
884,503	1,748,290	430,208	1,700,000	278,832	\$ 11,399,703

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, 2008

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 472,240

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.	14,828
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.	(25,890)
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.	427,086
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.	(1,862,200)
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.	(161)
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.	(35,583)
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 exceeded depreciation expense in the current period	2,084,190

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,074,510

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, 2008

	<u>MARINA</u> <u>ENTERPRISE FUND</u> <u>JUNE 30, 2008</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,242,817
Investments	833,390
Accounts Receivable	76,140
Total Current Assets	<u>2,152,347</u>
Noncurrent Assets:	
Unamortized Bond Issuance Costs	73,760
Capital Assets:	
Construction in Progress	38,453
Land	3,035,786
Land Improvements	261,575
Buildings and Improvements	846,998
Docks	532,582
Equipment	262,228
Less: Accumulated Depreciation	(838,517)
Total Noncurrent Assets	<u>4,212,865</u>
TOTAL ASSETS	<u>6,365,212</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	14,480
Deferred Revenue	1,500
Accrued Interest	58,046
Security Deposits	15,500
Bond Payable, Current Portion	225,000
Total Current Liabilities	<u>314,526</u>
Noncurrent Liabilities:	
Bond Payable, Net of Current Portion	2,700,000
TOTAL LIABILITIES	<u>3,014,526</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,287,865
Unrestricted	2,062,821
TOTAL NET ASSETS	<u>\$ 3,350,686</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, 2008

	<u>MARINA ENTERPRISE FUND 2008</u>
OPERATING REVENUES	
Lease Income	\$ 369,454
TOTAL OPERATING REVENUES	<u>369,454</u>
OPERATING EXPENSES	
Depreciation	104,125
Insurance	66,337
Professional Services	46,632
Utilities	2,253
Maintenance and Service Contracts	68,447
Advertising	9,316
Miscellaneous	235
TOTAL OPERATING EXPENSES	<u>297,345</u>
OPERATING INCOME	<u>72,109</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Income	75,278
Amortization of Bond Issue Costs	(6,969)
Interest Expense	(137,059)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(68,750)</u>
INCOME (LOSS) BEFORE TRANSFERS	3,359
Transfers In	<u>491,864</u>
CHANGE IN NET ASSETS	495,223
NET ASSETS, Beginning of Year	<u>2,855,463</u>
NET ASSETS, End of Year	<u><u>\$ 3,350,686</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, 2008

	MARINA ENTERPRISE FUND 2008
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 423,287
Cash Payments to Suppliers for Goods and Services	(188,149)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>235,138</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	501,864
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>501,864</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(5,039)
Principal Paid on Bonds	(225,000)
Interest Paid on Bonds	(135,451)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(365,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Short Term Investments, Net	(43,147)
Investment Earnings	75,278
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>32,131</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	403,643
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>839,174</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,242,817</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 72,109
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	104,125
Change Due to (Increase) Decrease in Operating Assets:	
Other Receivable	46,834
Change Due to (Increase) Decrease in Operating Liabilities:	
Other Payables	12,070
Net Cash Provided by Operating Activities	<u>\$ 235,138</u>
SUPPLEMENTAL INFORMATION FOR NONCASH ACTIVITIES:	
Depreciation Expense	\$ 104,125
Amortization Expense	6,969
	<u>\$ 111,094</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 NET ASSETS - FIDUCIARY FUND - AGENCY FUND

JUNE 30, 2008

	<u>VOLUNTEER FIRE</u>
ASSETS	
Cash	\$ 67,978
TOTAL ASSETS	<u>67,978</u>
LIABILITIES	
Accounts Payable	419
Due To Volunteer Fire Department	67,559
TOTAL LIABILITIES	<u>\$ 67,978</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, 2008

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.

In prior years, the Isle of Palms Water and Sewer Commission was included as a discretely presented component unit. In the current year, it was determined the City's ability to approve bonded debt was ministerial in nature and it would not be misleading to exclude the Commission as a component unit of the City beginning with the year ended June 30, 2008. The Water and Sewer Commission 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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Governmental fund types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in 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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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	State Narcotics	Victims' Assistance
Aisle of Palms	Recreation Building	

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 agencies thereof;
- (b) General obligations of the State of South Carolina or any of its political units;
- (c) Savings and Loan Associations to the extent that the same are insured by an agency of the Federal Government;
- (d) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts 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 or funds in deposit accounts 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;
- (e) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (f) 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), and (e) 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:

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

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

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

4. Capital Assets (Continued)

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

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 seperation 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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations (Continued)*

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.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

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, 2008

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, 2008, none of the City’s bank balances of \$10,288,720 (with a carrying value of \$9,941,752) were exposed to custodial credit risk.

Investments

As of June 30, 2008, the City had the following investments and maturities:

Investment Type	Fair Value	Credit Rating	Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 8,112,670	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, 2008 were (a) those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, etc.) and (b) unspent bond/capital lease proceeds.

B. Property Taxes and Other Receivables

The City’s 2007 property taxes were levied on September 30, 2007 and were due beginning on this date based on the assessed valuation of approximately \$203,000,000 as of January 1, 2007. Property taxes were considered late on January 17, 2008. 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 2007 property tax year was 22.4 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, 2008

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.

Property tax and other receivables consist of:

	General	Municipal	State	Hospitality	Capital	Other	Marina	
	Fund	Accommodations	Tax Fund	Tax	Projects	Governmental	Enterprise	Totals
		Fee Fund		Fund	Fund	Funds	Fund	
Property taxes	\$ 193,177	-	-	-	-	-	-	\$ 193,177
Allowance for Uncollectibles	(54,702)	-	-	-	-	-	-	(54,702)
Accommodations Taxes	22,459	281,917	307,986	-	-	-	-	612,362
Hospitality Taxes	-	-	-	54,523	-	-	-	54,523
Marina Operations	-	-	-	-	-	-	76,140	76,140
MASC Insurance License	9,421	-	-	-	-	-	-	9,421
Franchise Fees	37,233	-	-	-	-	-	-	37,233
State Aid to Subdivisions	39,326	-	-	-	-	-	-	39,326
Grant Income	-	-	-	-	-	17,482	-	17,482
Other	23,391	-	-	-	4,000	319	-	27,710
Net Receivables	\$ 270,305	281,917	307,986	54,523	4,000	17,801	76,140	\$ 1,012,672

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.

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. At June 30, 2008, the General Fund had \$54,702 in deferred revenue related to property taxes that were not available. In addition, the Capital Projects Fund had \$387,203 of unearned revenue related to a grant.

C. Interfund Receivables and Payables

Interfund balances at June 30, 2008, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$ 583	\$ 953
Capital Projects Fund	-	88
State Accommodations Tax Fund	-	470
Municipal Accommodations Fee Fund	-	9,698
Beach Restoration Fund	9,673	-
Victims Assistance Fund	953	-
Totals	\$ 11,209	\$ 11,209

The Beach Restoration Fund paid expenses on behalf of the Municipal Accommodations Fee Fund. The Victims' Assistance Fund receivable represents court fees received by the General Fund in June 2008. All of the interfund balances are expected to be paid within one year.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 2,913,446	-	-	\$ 2,913,446
Construction In Progress	1,869,764	2,127,349	3,516,492	480,621
Total Capital Assets, Non-Depreciable	4,783,210	2,127,349	3,516,492	3,394,067
Capital Assets, Depreciable:				
Land Improvements	1,874,115	127,742	-	2,001,857
Buildings and Improvements	4,054,268	3,583,757	25,000	7,613,025
Vehicles and Vehicle Equipment	3,820,433	289,690	122,830	3,987,293
Equipment	1,924,616	463,154	72,504	2,315,266
Furniture and Fixtures	81,413	-	1,070	80,343
Total Capital Assets, Depreciable	11,754,845	4,464,343	221,404	15,997,784
Less: Accumulated Depreciation for:				
Land Improvements	582,124	105,646	-	687,770
Buildings and Improvements	1,134,695	307,618	-	1,442,313
Vehicles and Vehicle Equipment	1,925,004	344,412	122,830	2,146,586
Equipment	1,061,334	226,975	71,614	1,216,695
Furniture and Fixtures	32,533	6,359	1,070	37,822
Total Accumulated Depreciation	4,735,690	991,010	195,514	5,531,186
Total Capital Assets, Depreciable, Net	7,019,155	3,473,333	25,890	10,466,598
Governmental Activities Capital Assets, Net	\$ 11,802,365	5,600,682	3,542,382	\$ 13,860,665

The cost of equipment recorded under capital lease was approximately \$1,905,535. Accumulated amortization on the equipment recorded under capital lease was approximately \$613,675 at June 30, 2008. Amortization of assets, recorded under capital lease obligations, has been included with depreciation expense.

Depreciation expense for the City's Governmental Activities was charged to functions/programs as follows:

Functions/Programs	Amount
Governmental Activities:	
General Government	\$ 129,176
Public Safety	484,005
Building and Planning	5,404
Public Works	161,274
Culture and Recreation	211,151
Total Depreciation Expense - Governmental Activities	\$ 991,010

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Non-Depreciable				
Land	\$ 3,035,786	-	-	\$ 3,035,786
Construction in Progress	38,453	-	-	38,453
Total Capital Assets, Non-Depreciable	<u>3,074,239</u>	<u>-</u>	<u>-</u>	<u>3,074,239</u>
Capital Assets, Depreciable				
Land Improvements	261,575	-	-	261,575
Buildings and Improvements	846,998	-	-	846,998
Docks	532,582	-	-	532,582
Equipment	257,189	5,039	-	262,228
Total Capital Assets, Depreciable	<u>1,898,344</u>	<u>5,039</u>	<u>-</u>	<u>1,903,383</u>
Less: Accumulated Depreciation for:				
Land Improvements	55,286	6,605	-	61,891
Buildings and Improvements	276,401	38,598	-	314,999
Docks	201,621	29,737	-	231,358
Equipment	201,081	29,188	-	230,269
Total Accumulated Depreciation	<u>734,389</u>	<u>104,128</u>	<u>-</u>	<u>838,517</u>
Total Capital Assets, Being Depreciated, Net	<u>1,163,955</u>	<u>(99,089)</u>	<u>-</u>	<u>1,064,866</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,238,194</u>	<u>\$ (99,089)</u>	<u>\$ -</u>	<u>\$ 4,139,105</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

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. 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 capital lease obligations nor the interest thereon. Details on the City’s outstanding debt issues and capital leases as of June 30, 2008 are as follows:

	<u>Principal Outstanding at Year End</u>
<u>General Obligation Bonds (“GOB”)</u>	
\$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.	\$ 2,425,000
\$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 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.	3,415,000
\$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 \$225,000 to \$360,000 through February, 2019 and are being paid by the Marina Enterprise Fund.	2,925,000
<u>Bank Loans</u>	
\$1,700,000 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 th through 2014 and are supported by the municipal accommodations fee receipts.	1,700,000

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

E. Long-Term Obligations (Continued)

	<u>Principal Outstanding at Year End</u>
<p><u>Capital Leases</u></p> <p>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 24th, through 2009.</p>	\$ 95,072
<p>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 4th, through 2012.</p>	365,860
<p>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 5th, through 2013.</p>	247,729
<p>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 29th, through 2012.</p>	71,218
<p>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 30th, through 2013.</p>	86,075
<p>The City entered into an \$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 1st, through 2014.</p>	<u>139,204</u>
<p>Total Capital Lease Obligations</p>	<u>\$ 1,005,158</u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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, 2008, for the City's governmental and business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
GOB Debt:					
GOB - Series 2003	\$ 2,530,000	-	105,000	2,425,000	\$ 110,000
GOB - Series 2006	3,535,000	-	120,000	3,415,000	125,000
Total GOB Debt	6,065,000	-	225,000	5,840,000	235,000
Bank Loan - 06/08	-	1,700,000	-	1,700,000	261,762
Total GOB Debt and Bank Loan	6,065,000	1,700,000	225,000	7,540,000	496,762
Capital Leases:					
CL-07/02	139,568	-	44,496	95,072	46,493
CL-09/03	430,867	-	65,007	365,860	67,588
CL-05/04	292,073	-	44,344	247,729	45,994
CL-07/05	84,095	-	12,877	71,218	13,313
CL-08/06	98,441	-	12,366	86,075	12,892
CL-11/07	-	162,200	22,996	139,204	17,748
Total Capital Leases	1,045,044	162,200	202,086	1,005,158	204,028
Accrued Compensated Absences	188,326	199,096	163,513	228,515	208,000
Total Governmental Activities	7,298,370	2,061,296	590,599	8,773,673	908,790
Business-Type Activities:					
GOB Debt:					
GOB - Series 1999	\$ 3,150,000	-	225,000	2,925,000	\$ 225,000

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.

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. Compensated Absence liabilities have been liquidated through the General Fund.

The City paid interest of \$272,135 and \$135,451 for its governmental and business-type activities debt, respectively.

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, 2008.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

E. Long-Term Obligations (Continued)

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, 2008, the City had \$3,415,000 of bonded debt subject to the 8% limit of approximately \$16,000,000 available resulting in an unused legal debt margin of approximately \$12,585,000.

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,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2009	\$ 496,762	276,065	204,028	39,331	\$ 1,016,186
2010	515,034	258,902	212,176	31,184	1,017,296
2011	538,567	241,099	169,894	22,704	972,264
2012	557,369	222,451	176,434	16,163	972,417
2013	581,450	203,148	183,226	9,373	977,197
2014-2018	1,930,818	759,107	37,237	2,318	2,729,480
2019-2023	2,130,000	407,533	22,163	835	2,560,531
2024-2027	790,000	64,040	-	-	854,040
Totals	\$ 7,540,000	2,432,345	1,005,158	121,908	\$ 11,099,411
<u>Business-Type Activities</u>					
2009	\$ 225,000	125,775	-	-	\$ 350,775
2010	225,000	116,100	-	-	341,100
2011	250,000	106,425	-	-	356,425
2012	250,000	95,675	-	-	345,675
2013	250,000	84,925	-	-	334,925
2014-2018	1,425,000	251,550	-	-	1,676,550
2019	300,000	12,900	-	-	312,900
Totals	\$ 2,925,000	793,350	-	-	\$ 3,718,350

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

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 November 30, 2008. Twenty-eight percent of net gross receipts (as defined) are remitted to the City monthly. Annual operations revenue is approximately \$170,000. The City leases the following Marina facilities through lease agreements:

- Marina store rental-annual income of approximately \$80,000 with the lease expiring January 31, 2010.
- Marina restaurant rental-annual income of approximately \$100,000. This lease is in its first three year renewal period ending October 31, 2008 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 \$18,000. 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.

Estimated future annual lease income for the long-term leases in effect as of June 30, 2008 are as follows:

Year ending June 30,	Amount
2009	\$ 158,250
2010	117,250
2011	74,250
2012	24,750

G. Transfers In and (Out)

Transfers between funds for the year ended June 30, 2008, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Funds:</u>		
General Fund	\$ 33,219	\$ 434,936
Capital Projects Fund	749,772	200,000
Municipal Accommodations Fee Fund	-	343,317
State Accommodations Tax Fund	-	291,864
Hospitality Tax Fund	-	300,000
Non-major Fund	107,384	-
Beach Restoration Fund	201,000	13,122
Marina Enterprise Fund	491,864	-
Totals	<u>\$ 1,583,239</u>	<u>\$ 1,583,239</u>

The General Fund transfers were primarily to fund capital projects, to support debt service payments in the Marina Enterprise fund, and to establish a separate Non-major Fund, Victims' Assistance. The remaining transfers out were primarily to the Marina Enterprise Fund (for debt service and future bulkhead construction), to the Capital Projects Fund (for the Public Safety Building and radios), and to the Beach Restoration Fund.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION

A. Risk Management

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. The City is a member of public entity risk pools providing common risk management and insurance for local governments, which are self-sustaining through member premiums and reinsure through commercial companies for stipulated excess claims. The City pays an annual premium to the South Carolina Municipal Insurance and Risk Financing Fund for its general insurance coverage.

The City is also subject to risks of loss from providing health, accident, and other medical benefits to employees and their dependents. The City has enrolled all of its full-time employees in the South Carolina Local Government Assurance Group (“SCLGAG”) health insurance plan administered by Medical Claims Management Corporation. The City records contributions from employer funds and employees in the General Fund when it remits premiums to the insurance pool. The South Carolina Local Government Assurance Group reinsures through commercial companies to minimize its risk.

The City participates in the South Carolina Municipal Insurance Trust State Workers Compensation Fund, a public entity risk pool currently operating as a common risk management program, for its workers’ compensation coverage.

For all of the above risk management programs, the City has not significantly reduced insurance coverage from the previous year. Settled claims in excess of insurance coverage for the last three years were immaterial. For each of the insurance programs and public entity risk pools in which it participates, the City has effectively transferred all risk with no liability for unfunded claims.

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.

The City’s contributions to the SCRS for employer and employee portions (including amounts for group life) expressed as a dollar amount and as a percentage of covered payroll for 2008, were \$134,596 and 9.21% and \$94,992 and 6.50% respectively. The City’s contributions to the SCPORS for the employer and employee portions (including amounts for group life and accidental death contributions) were \$217,670 and 10.7% and \$132,230 and 6.50%, respectively.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION (CONTINUED)

B. Pension Disclosures (Continued)

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

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	Required	% Contributed
2008	\$ 134,596	100%	\$ 217,670	100%
2007	106,020	100%	199,706	100%
2006	92,632	100%	185,224	100%

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 rate budgeted for full-time employees. 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 one participant that is included in the plan.

In 2004 GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 is in the process of engaging 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 consisted of \$200,000 budgeted for beach restoration and an additional \$1.7 million obtained via a bank loan secured by future municipal accommodations fee revenues. Private contributions of \$7.1 million were received from the affected property owners. The recognition of \$4.3 million of the private contributions has been deferred in the financial statements until future years in order to match the recognition of this revenue to project expenditures. The nourishment phase of the project was substantially completed as of June 30, 2008. The monitoring phase, as required by the permitting agencies [South Carolina Department of Health and Environmental Control Office of Coastal Resource Management (OCRM) and the United States Army Corp of Engineers] will continue for at least 3 years.

Subsequent to the fiscal year end, the City received \$900,000 in project support from Charleston County. The City has also received a Statement of Intent to Award grant funds of up to \$1 million in project support from OCRM. The OCRM grant is restricted to the public access area of the project. The City is currently in the process of applying for approximately \$670,000 in reimbursement under this grant.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION (CONTINUED)

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, 2008.

At June 30, 2008, the City has approximately \$6,142,872 in project commitments for the beach restoration.

As of June 30, 2008, the City has approximately \$6,172,021 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 of the City. The City paid approximately \$41,000 to this firm for various legal services rendered during the year ending June 30, 2008.

H. Subsequent Events

On August 26, 2008, the City Council approved the issuance of general obligation bonds of \$6.7 million for the public safety building at a rate of 4.14% for a term of 20 years.

On September 3, 2008, the City Council awarded a contract for the Marina bulkhead replacement in the amount of \$2.2 million.

The City received \$900,000 in grant revenue for the Beach Restoration from Charleston County on September 10, 2008.



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, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 3,947,709	3,947,709	3,950,271	\$ 2,562
Local Option Sales Tax	558,000	558,000	561,093	3,093
Intergovernmental	265,875	265,875	297,423	31,548
Licenses and Permits	2,343,750	2,343,750	2,553,941	210,191
Fines	150,000	150,000	141,713	(8,287)
Interest	108,000	108,000	76,595	(31,405)
Revenues From Use of Properties	299,000	299,000	285,889	(13,111)
Other Revenues	230,545	230,545	224,693	(5,852)
TOTAL REVENUES ALL SOURCES	7,902,879	7,902,879	8,091,618	188,739
EXPENDITURES				
General Government:				
Mayor and Council	49,491	49,491	40,362	(9,129)
Administration	601,893	601,893	546,031	(55,862)
Judicial and Legal	167,841	167,841	132,297	(35,544)
Public Safety:				
Police Department	1,873,350	1,873,350	1,867,549	(5,801)
Fire Department	1,929,486	1,929,486	2,041,730	112,244
Building, Planning, and Engineering	325,475	325,475	283,505	(41,970)
Public Works	1,045,866	1,045,866	990,910	(54,956)
Culture and Recreation:				
Recreation Department	636,901	636,901	616,711	(20,190)
Recreation Instruction	88,750	88,750	83,215	(5,535)
Non-Departmental:				
Parking Lot	1,585	1,585	714	(871)
Parking Meters	58,978	58,978	46,041	(12,937)
Debt Service:				
Principal	318,000	318,000	111,000	(207,000)
Interest	497,808	497,808	110,308	(387,500)
TOTAL EXPENDITURES	7,595,424	7,595,424	6,870,373	(725,051)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	307,455	307,455	1,221,245	913,790
OTHER FINANCING SOURCES (USES)				
Transfers In	20,097	20,097	33,219	13,122
Transfers Out	(327,552)	(327,552)	(434,936)	(107,384)
TOTAL OTHER FINANCING SOURCES (USES)	(307,455)	(307,455)	(401,717)	(94,262)
NET CHANGES IN FUND BALANCE	-	-	819,528	819,528
FUND BALANCE, Beginning of Year	1,856,660	1,856,660	1,856,660	-
FUND BALANCE, End of Year	\$ 1,856,660	1,856,660	2,676,188	\$ 819,528

Note: The above schedule reflects the sale of capital assets of \$4,005 in other revenues, but is reflected as another 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, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Fee Revenue	\$ 500,000	500,000	591,608	\$ 91,608
County Accommodations Fee Revenue	200,000	200,000	237,830	37,830
Grant Income	-	20,000	19,455	(545)
Interest	30,000	30,000	40,899	10,899
TOTAL REVENUES	730,000	750,000	889,792	139,792
EXPENDITURES				
Current:				
General Government	48,842	48,842	37,011	(11,831)
Fire Department	-	-	693	693
Public Works	114,676	114,676	113,194	(1,482)
Public Restrooms	107,684	107,684	116,205	8,521
Capital Outlay	311,449	311,449	216,647	(94,802)
Debt Service:				
Principal	91,772	91,772	92,522	750
Interest	46,244	46,244	46,244	-
TOTAL EXPENDITURES	720,667	720,667	622,516	(98,151)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,333	29,333	267,276	237,943
OTHER FINANCING SOURCES (USES)				
Transfers Out	(393,984)	(393,984)	(343,317)	50,667
Proceeds from Capital Lease	40,550	40,550	40,550	-
Sale of Capital Assets	-	-	5,530	5,530
TOTAL OTHER FINANCING SOURCES (USES)	(353,434)	(353,434)	(297,237)	56,197
NET CHANGES IN FUND BALANCE	(344,101)	(324,101)	(29,961)	294,140
FUND BALANCE, Beginning of Year	903,591	903,591	903,591	-
FUND BALANCE, End of Year	\$ 559,490	579,490	873,630	\$ 294,140

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, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Tax Revenue	\$ 819,000	819,000	1,005,556	\$ 186,556
Interest	30,000	30,000	32,082	2,082
TOTAL REVENUES	849,000	849,000	1,037,638	188,638
EXPENDITURES				
Current:				
General Government	436,500	436,500	377,092	(59,408)
Public Safety	2,500	2,500	1,935	(565)
Public Works	3,000	3,000	1,360	(1,640)
Culture and Recreation:				
Recreation Department	3,000	3,000	36,657	33,657
Public Restrooms	69,289	69,289	61,245	(8,044)
Capital Outlay	120,225	120,225	134,294	14,069
Debt Service:				
Principal	49,772	49,772	50,522	750
Interest	10,318	10,318	10,318	-
TOTAL EXPENDITURES	694,604	694,604	673,423	(21,181)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	154,396	154,396	364,215	209,819
OTHER FINANCING SOURCES (USES)				
Transfers Out	(301,667)	(301,667)	(291,864)	9,803
Proceeds from Capital Lease	40,550	40,550	40,550	-
TOTAL OTHER FINANCING SOURCES (USES)	(261,117)	(261,117)	(251,314)	9,803
NET CHANGES IN FUND BALANCE	(106,721)	(106,721)	112,901	219,622
FUND BALANCE, Beginning of Year	771,602	771,602	771,602	-
FUND BALANCE, End of Year	\$ 664,881	664,881	884,503	\$ 219,622

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, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Interest	\$ 67,000	67,000	68,767	\$ 1,767
TOTAL REVENUES	67,000	67,000	68,767	1,767
NET CHANGES IN FUND BALANCE	67,000	67,000	68,767	1,767
FUND BALANCE, Beginning of Year	1,679,523	1,679,523	1,679,523	-
FUND BALANCE, End of Year	\$ 1,746,523	1,746,523	1,748,290	\$ 1,767

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, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Hospitality Taxes	\$ 430,000	430,000	466,980	\$ 36,980
Interest	17,000	17,000	16,074	(926)
TOTAL REVENUES	447,000	447,000	483,054	36,054
EXPENDITURES				
Current:				
General Government	-	-	43,353	43,353
Public Safety	-	-	-	-
Building, Planning, and Engineering	2,620	2,620	551	(2,069)
Public Works	53,792	53,792	40,505	(13,287)
Debt Service:				
Principal	72,000	72,000	72,000	-
Interest	84,628	84,628	84,628	-
TOTAL EXPENDITURES	213,040	213,040	241,037	27,997
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	233,960	233,960	242,017	8,057
OTHER FINANCING SOURCES (USES)				
Transfers Out	(300,000)	(300,000)	(300,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(300,000)	(300,000)	(300,000)	-
NET CHANGES IN FUND BALANCE	(66,040)	(66,040)	(57,983)	8,057
FUND BALANCE, Beginning of Year	488,191	488,191	488,191	-
FUND BALANCE, End of Year	\$ 422,151	422,151	430,208	\$ 8,057

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, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Contributions	\$ -	-	2,839,540	\$ 2,839,540
Interest	-	-	23,857	23,857
TOTAL REVENUES	-	-	2,863,397	2,863,397
EXPENDITURES				
Current:				
General Government	-	-	264	264
Non-Departmental	-	-	3,051,011	3,051,011
TOTAL EXPENDITURES	-	-	3,051,275	3,051,275
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(187,878)	(187,878)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	201,000	201,000
Transfers Out	-	-	(13,122)	(13,122)
Proceeds from Loan	-	-	1,700,000	1,700,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	1,887,878	1,887,878
NET CHANGES IN FUND BALANCE	-	-	1,700,000	1,700,000
FUND BALANCE, Beginning of Year	-	-	-	-
FUND BALANCE, End of Year	\$ -	-	1,700,000	\$ 1,700,000

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, 2008

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
ASSETS		
Cash and Cash Equivalents	\$ 10,755	16,792
Accounts Receivable	-	-
Investments	-	-
Due from other funds	-	-
TOTAL ASSETS	\$ 10,755	16,792
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ -	-
TOTAL LIABILITIES	-	-
FUND BALANCES		
Reserved	-	-
Unreserved	10,755	16,792
TOTAL FUND BALANCES	10,755	16,792
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,755	16,792

Victims' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	TOTAL NON-MAJOR FUNDS
124,158	53,551	38,683	\$ 243,939
-	-	17,482	17,482
-	-	16,716	16,716
953	-	-	953
125,111	53,551	72,881	\$ 279,090
-	258	-	\$ 258
-	258	-	258
-	-	16,716	16,716
125,111	53,293	56,165	262,116
125,111	53,293	72,881	278,832
125,111	53,551	72,881	\$ 279,090

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, 2008

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
REVENUES		
Fines and Forfeits	\$ 3,776	-
Interest	264	495
Grant revenue	-	-
Other	-	-
TOTAL REVENUES	4,040	495
EXPENDITURES		
Current:		
General Government	-	-
Public Safety	2,255	1,041
Culture and Recreation	-	-
Capital Outlay	-	-
TOTAL EXPENDITURES	2,255	1,041
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	1,785	(546)
OTHER FINANCING SOURCES (USES)		
Transfers In	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	1,785	(546)
FUND BALANCES AT BEGINNING OF YEAR	8,970	17,338
FUND BALANCES AT END OF YEAR	\$ 10,755	16,792

Victims' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	TOTAL NON-MAJOR FUNDS
16,499	-	-	\$ 20,275
2,422	1,557	3,073	7,811
-	-	17,483	17,483
-	481	9,899	10,380
18,921	2,038	30,455	55,949
-	923	-	923
1,194	-	-	4,490
-	-	63	63
-	-	48,500	48,500
1,194	923	48,563	53,976
17,727	1,115	(18,108)	1,973
107,384	-	-	107,384
107,384	-	-	107,384
125,111	1,115	(18,108)	109,357
-	52,178	90,989	169,475
125,111	53,293	72,881	\$ 278,832

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	2008		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
PROPERTY TAXES	\$ 3,947,709	3,950,271	\$ 2,562
LOCAL OPTION SALES TAX	558,000	561,093	3,093
INTERGOVERNMENTAL			
State Aid to Subdivisions	130,000	149,644	19,644
State Accommodations Tax Administrative Fee	67,000	78,199	11,199
State Shared Funds - Alcohol	33,000	33,700	700
Intergovernmental Transfers	35,875	35,880	5
Total Intergovernmental	265,875	297,423	31,548
LICENSES AND PERMITS			
Business Licenses	770,000	825,443	55,443
Residential Rental Licenses	401,000	424,962	23,962
Insurance Licenses	510,000	677,417	167,417
Public Utilities	339,000	356,882	17,882
Building Permits	280,000	225,848	(54,152)
Telecommunication Licenses	42,000	41,169	(831)
Alarm Permits	1,000	1,561	561
Animal Licenses	750	659	(91)
Total Licenses and Permits	2,343,750	2,553,941	210,191
FINES AND FORFEITS	150,000	141,713	(8,287)
INTEREST			
Interest Income	100,000	70,652	(29,348)
Court Generated Interest	8,000	5,943	(2,057)
Total Interest	108,000	76,595	(31,405)
REVENUES FROM USE OF PROPERTIES			
Parking Lot Revenue	139,000	107,282	(31,718)
Parking Meter Revenue	160,000	178,607	18,607
Total Revenues From Use of Properties	299,000	285,889	(13,111)
OTHER REVENUES			
Recreation Program Income	90,000	95,757	5,757
Recreation Instructors Income	90,000	96,014	6,014
Sales of Assets	\$ 8,500	4,005	\$ (4,495)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	2008		
	FINAL BUDGET	ACTUAL	VARIANCE
OTHER REVENUES (CONTINUED)			
Miscellaneous	\$ 25,500	11,511	\$ (13,989)
Cart Purchase Revenue	9,375	9,975	600
Boat Ramp Fees	1,800	600	(1,200)
Recycling Revenue	5,000	6,591	1,591
Kennel Fees	370	240	(130)
Total Other Revenues	<u>230,545</u>	<u>224,693</u>	<u>(5,852)</u>
TOTAL REVENUES	<u><u>7,902,879</u></u>	<u><u>8,091,618</u></u>	<u><u>188,739</u></u>
EXPENDITURES			
GENERAL GOVERNMENT			
Mayor and Council			
Salaries	17,000	17,000	-
Payroll Taxes	1,301	1,301	-
Retirement	599	599	-
Workers Compensation	471	-	(471)
Meetings and Seminars	12,000	9,389	(2,611)
Vehicle, Fuel, and Oil	584	828	244
Telephone	4,400	2,933	(1,467)
Non-Capital Tools and Equipment	500	-	(500)
Insurance	2,136	198	(1,938)
Miscellaneous and Contingency	6,000	3,797	(2,203)
Citizens and Employee Services	4,500	4,317	(183)
Total Mayor and Council	<u>49,491</u>	<u>40,362</u>	<u>(9,129)</u>
ADMINISTRATION			
Salaries - Supervisors	96,611	97,632	1,021
Salaries - Employees	182,671	172,158	(10,513)
Salaries - Part Time	-	6,776	6,776
Payroll Taxes	20,995	20,236	(759)
Retirement	25,277	24,945	(332)
Group Health Insurance	42,718	32,718	(10,000)
Workers Compensation	7,357	7,397	40
Print and Office Supplies	14,500	15,075	575
Bank Service Charges	500	427	(73)
Membership and Dues	4,480	3,905	(575)
Membership and Seminars	4,000	4,084	84
Vehicle, Fuel, and Oil	2,750	3,311	561
Electric and Gas	7,000	7,345	345
Telephone and Cable	12,036	9,143	(2,893)
Water and Sewer	\$ 2,460	2,392	\$ (68)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	2008		
	FINAL BUDGET	ACTUAL	VARIANCE
ADMINISTRATION (CONTINUED)			
Noncapital Tools and Equipment	\$ 1,250	1,039	\$ (211)
Maintenance and Service Contracts	29,451	22,855	(6,596)
Machine and Equipment Repair	1,500	377	(1,123)
Cleaning and Sanitary Supplies	700	1,249	549
Storm Preparation & Cleanup	3,000	50	(2,950)
Medical and Lab	560	549	(11)
LTD Insurance	851	810	(41)
Advertising	23,000	20,092	(2,908)
Insurance	27,904	18,990	(8,914)
Rent and Leases	10,330	11,117	787
Employee Training	8,500	5,768	(2,732)
Professional Services	48,142	32,847	(15,295)
Temporary Labor	-	396	396
Contracted Services	-	982	982
Election Expenses	3,000	3,511	511
Miscellaneous	20,350	17,855	(2,495)
Total Administration	601,893	546,031	(55,862)
JUDICIAL AND LEGAL			
Salaries - Employees	42,861	44,273	1,412
Salaries - Part-time	21,600	20,977	(623)
Payroll Taxes	4,931	4,965	34
Retirement	5,937	6,009	72
Group Health Insurance	6,867	6,808	(59)
Workers Compensation	1,126	1,304	178
Print and Office Supplies	2,500	4,711	2,211
Bank Service Charges	700	785	85
Membership and Dues	300	185	(115)
Membership and Seminars	1,000	785	(215)
Telephone and Cable	3,428	3,718	290
Maintenance and Service Contracts	4,050	4,042	(8)
LTD Insurance	124	137	13
Insurance	517	692	175
Employee Training	5,400	2,783	(2,617)
Professional Services	65,000	29,498	(35,502)
Non-capital Tools & Equipment	500	140	(360)
Miscellaneous and Contingency	1,000	485	(515)
Total Judicial and Legal	167,841	132,297	(35,544)
TOTAL GENERAL GOVERNMENT	\$ 819,225	718,690	\$ (100,535)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	2008		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY			
Police Department			
Salaries - Supervisors	\$ 72,965	72,984	\$ 19
Salaries - Employees	997,086	1,045,027	47,941
Salaries - Part Time	9,360	-	(9,360)
Payroll Taxes	81,466	86,598	5,132
Retirement	109,721	115,130	5,409
Group Health Insurance	231,767	198,289	(33,478)
Workers Compensation	58,197	51,770	(6,427)
Print and Office Supplies	15,420	16,736	1,316
Membership and Dues	1,295	1,135	(160)
Membership and Seminars	8,150	6,168	(1,982)
Vehicle, Fuel, and Oil	79,220	83,423	4,203
Vehicle Maintenance	27,000	26,854	(146)
Electric and Gas	7,000	7,345	345
Telephone and Cable	23,750	18,735	(5,015)
Water and Sewer	2,500	2,032	(468)
Noncapital Tools and Equipment	1,200	1,284	84
Maintenance and Service Contracts	20,804	18,170	(2,634)
Machine and Equipment Repair	6,000	7,165	1,165
Uniforms	18,015	13,867	(4,148)
Cleaning and Sanitary Supplies	1,200	1,159	(41)
Medical and Lab	5,500	3,539	(1,961)
LTD Insurance	3,272	3,366	94
Insurance	64,882	58,611	(6,271)
Rent and Leases	2,160	2,419	259
Employee Training	10,420	10,386	(34)
Professional Services	10,250	10,227	(23)
VOCA Grant Expenses	-	38	38
Miscellaneous and Contingency	3,750	3,989	239
Canine Kennel Expenses	1,000	1,103	103
Total Police Department	<u>1,873,350</u>	<u>1,867,549</u>	<u>(5,801)</u>
Fire Department			
Salaries - Supervisors	70,190	71,212	1,022
Salaries - Employees	1,053,676	1,126,243	72,567
Salaries - Part Time	26,796	62,279	35,483
Payroll Taxes	86,916	94,656	7,740
Retirement	121,265	135,388	14,123
Group Health Insurance	225,726	221,923	(3,803)
Workers Compensation	\$ 58,999	55,455	\$ (3,544)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	2008		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY (CONTINUED)			
Fire Department (Continued)			
Print and Office Supplies	\$ 6,900	7,429	\$ 529
Membership and Dues	2,000	1,597	(403)
Membership and Seminars	1,000	1,335	335
Vehicle, Fuel, and Oil	22,136	25,272	3,136
Vehicle Maintenance	42,000	50,486	8,486
Electric and gas	16,480	17,604	1,124
Telephone and Cable	18,038	11,739	(6,299)
Water and Sewer	3,546	5,726	2,180
Noncapital Tools and Equipment	15,000	15,444	444
Maintenance and Service Contracts	13,810	7,969	(5,841)
Machine and Service Repairs	12,000	5,489	(6,511)
Uniforms	25,000	19,222	(5,778)
Cleaning and Sanitary Supplies	5,000	3,334	(1,666)
Medical and Lab	13,997	15,522	1,525
LTD Insurance	3,439	3,804	365
Insurance	54,462	52,985	(1,477)
Rent and Leases	4,360	2,384	(1,976)
Employee Training	15,000	13,610	(1,390)
Professional Services	2,750	3,184	434
Miscellaneous and Contingency	5,000	6,439	1,439
Volunteer Point Allocation	4,000	4,000	-
Total Fire Department	1,929,486	2,041,730	112,244
TOTAL PUBLIC SAFETY	3,802,836	3,909,279	106,443
BUILDING, PLANNING, AND ENGINEERING			
Salaries - Supervisors	59,878	60,316	438
Salaries - Employees	112,077	102,278	(9,799)
Payroll Taxes	12,785	12,088	(697)
Retirement	15,392	14,994	(398)
Group Health Insurance	31,611	31,730	119
Workers Compensation	4,522	4,226	(296)
Print and Office Supplies	11,700	7,927	(3,773)
Membership and Dues	1,000	1,028	28
Membership and Seminars	2,500	347	(2,153)
Vehicle, Fuel, and Oil	4,286	4,725	439
Vehicle Maintenance	1,000	396	(604)
Electric and Gas	2,678	2,364	(314)
Telephone and Cable	8,652	8,079	(573)
Water and Sewer	567	832	265
Non-Capital Tools & Equipment	500	126	(374)
Maintenance and Service Contracts	\$ 4,000	3,642	\$ (358)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	2008		
	FINAL BUDGET	ACTUAL	VARIANCE
BUILDING, PLANNING, AND ENGINEERING (CONTINUED)			
Machine and Equipment Repair	\$ 500	200	\$ (300)
Uniforms	750	716	(34)
Cleaning and Sanitary Supplies	500	442	(58)
Medical and Lab	150	88	(62)
LTD Insurance	518	501	(17)
Insurance	10,479	8,132	(2,347)
Rent and Leases	3,180	2,197	(983)
Employee Training	2,500	1,428	(1,072)
Professional Services	33,000	13,956	(19,044)
Miscellaneous and Contingency	750	747	(3)
TOTAL BUILDING, PLANNING AND ENGINEERING	325,475	283,505	(41,970)
PUBLIC WORKS			
Salaries - Supervisors	46,567	47,464	897
Salaries - Employees	357,917	320,676	(37,241)
Salaries - Part Time	9,873	5,474	(4,399)
Payroll Taxes	30,589	27,847	(2,742)
Retirement	36,827	34,454	(2,373)
Group Health Insurance	92,705	76,830	(15,875)
Workers Compensation	31,712	24,047	(7,665)
Print and Office Supplies	1,000	733	(267)
Membership and Dues	400	185	(215)
Membership and Seminars	500	168	(332)
Vehicle, Fuel, and Oil	64,280	76,027	11,747
Vehicle Maintenance	80,000	85,709	5,709
Electric and Gas	61,800	64,543	2,743
Telephone and Cable	8,205	5,754	(2,451)
Water and Sewer	2,060	2,120	60
Noncapital Tools and Equipment	2,000	1,402	(598)
Maintenance and Service Contracts	5,608	2,372	(3,236)
Machine and Equipment Repair	3,000	2,246	(754)
Uniforms	6,000	6,184	184
Cleaning and Sanitary Supplies	2,000	2,092	92
Medical and Lab	3,000	2,873	(127)
LTD Insurance	1,240	1,114	(126)
Street Signs	4,000	3,686	(314)
Insurance	43,533	37,831	(5,702)
Rent and Leases	500	-	(500)
Employee Training	1,900	-	(1,900)
Professional Services	600	600	-
Temporary Labor	\$ 106,600	115,357	\$ 8,757

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	2008		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS (CONTINUED)			
Contracted Services	\$ 21,600	29,133	\$ 7,533
Miscellaneous and Contingency	1,250	845	(405)
Garbage Cart - Procurement	18,600	13,144	(5,456)
TOTAL PUBLIC WORKS	1,045,866	990,910	(54,956)
CULTURE AND RECREATION			
Recreation Department			
Salaries - Supervisors	59,591	60,112	521
Salaries - Employees	196,619	189,749	(6,870)
Salaries - Part Time	127,721	120,524	(7,197)
Payroll Taxes	29,001	28,099	(902)
Retirement	23,152	24,657	1,505
Group Health Insurance	55,002	49,322	(5,680)
Workers Compensation	12,037	8,790	(3,247)
Unemployment Compensation	-	242	242
Print and Office Supplies	6,600	9,041	2,441
Membership and Dues	1,600	1,240	(360)
Membership and Seminars	2,000	188	(1,812)
Vehicle, Fuel, and Oil	3,882	3,623	(259)
Vehicle Maintenance	1,200	977	(223)
Electric and Gas	36,500	35,345	(1,155)
Telephone and Cable	7,950	6,440	(1,510)
Water and Sewer	4,738	4,775	37
Noncapital Tools and Equipment	2,000	1,255	(745)
Maintenance and Service Contracts	15,800	23,537	7,737
Machine and Equipment Repair	2,000	2,350	350
Uniforms	1,950	1,682	(268)
Cleaning and Sanitary Supplies	3,450	3,336	(114)
Medical and Lab	885	966	81
LTD Insurance	779	772	(7)
Insurance	32,644	31,492	(1,152)
Rent and Leases	4,000	3,439	(561)
Employee Training	1,300	284	(1,016)
Miscellaneous and Contingency	4,500	4,474	(26)
Total Recreation Department	636,901	616,711	(20,190)
Recreation Instruction			
Four Year Old Play Group	750	951	201
Gymnastics	2,500	1,722	(778)
Special Activities	\$ 19,500	17,416	\$ (2,084)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	2008		
	FINAL BUDGET	ACTUAL	VARIANCE
CULTURE AND RECREATION (CONTINUED)			
Day Camp	\$ 12,000	12,120	\$ 120
Karate	2,000	1,857	(143)
Aerobics	8,000	6,100	(1,900)
Adult Sports	14,000	14,080	80
Youth Sports	27,000	27,451	451
Keenagers	3,000	1,518	(1,482)
Total Recreation Instruction	<u>88,750</u>	<u>83,215</u>	<u>(5,535)</u>
TOTAL CULTURE AND RECREATION	<u>725,651</u>	<u>699,926</u>	<u>(25,725)</u>
NON-DEPARTMENTAL			
Parking Lot			
Electric and Gas	335	212	(123)
Insurance	250	30	(220)
Miscellaneous and Contingency	400	472	72
Maintenance and Service Contracts	600	-	(600)
Total Parking Lot	<u>1,585</u>	<u>714</u>	<u>(871)</u>
Parking Meters			
Salaries - Part Time	36,400	23,697	(12,703)
Payroll Taxes	2,785	969	(1,816)
Workers Compensation	1,009	-	(1,009)
Print and Office Supplies	3,000	3,532	532
Maintenance and Service Contracts	5,850	5,852	2
Machine and Equipment Repair	2,000	4,058	2,058
Professional Services	7,434	7,933	499
Miscellaneous	500	-	(500)
Total Parking Meters	<u>58,978</u>	<u>46,041</u>	<u>(12,937)</u>
TOTAL NON-DEPARTMENTAL	<u>60,563</u>	<u>46,755</u>	<u>(13,808)</u>
DEBT SERVICE			
Principal	318,000	111,000	(207,000)
Interest	497,808	110,308	(387,500)
TOTAL DEBT SERVICE	<u>815,808</u>	<u>221,308</u>	<u>(594,500)</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 7,595,424</u>	<u>6,870,373</u>	<u>\$ (725,051)</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY TYPE - ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2008

	GENERAL GOVERNMENT			PUBLIC SAFETY
	MAYOR AND COUNCIL	ADMIN-ISTRATION	JUDICIAL AND LEGAL	POLICE DEPARTMENT
Salaries - Supervisors	\$ 17,000	97,632	-	72,984
Salaries - Employees	-	172,158	44,273	1,045,027
Salaries - Part Time	-	6,776	20,977	-
Payroll Taxes	1,301	20,236	4,965	86,598
Retirement	599	24,945	6,009	115,130
Group Health Insurance	-	32,718	6,808	198,289
Workers Compensation	-	7,397	1,304	51,770
Unemployment Compensation	-	-	-	-
Print and Office Supplies	-	15,075	4,711	16,736
Membership and Dues	-	3,905	185	1,135
Meeting and Seminars	9,389	4,084	785	6,168
Vehicle, Fuel, and Oil	828	3,311	-	83,423
Vehicle Maintenance	-	-	-	26,854
Electric and gas	-	7,345	-	7,345
Telephone and Cable	2,933	9,143	3,718	18,735
Water and Sewer	-	2,392	-	2,032
Noncapital Tools and Equipment	-	1,039	140	1,284
Maintenance and Service Contract	-	22,855	4,042	18,170
Machine and Equipment Repair	-	377	-	7,165
Uniforms	-	-	-	13,867
Cleaning and Sanitary Supplies	-	1,249	-	1,159
Storm Preparation & Cleanup	-	50	-	-
Medical and Lab	-	549	-	3,539
LTD Insurance	-	810	137	3,366
Advertising	-	20,092	-	-
Street Signs	-	-	-	-
Insurance	198	18,990	692	58,611
Advertising	-	11,117	-	2,419
Employee Training	-	5,768	2,783	10,386
Professional Services	-	32,847	29,498	10,227
Temporary Labor	-	396	-	-
Contracted Services	-	982	-	-
VOCA Grant Expenses	-	-	-	38
Miscellaneous and Contingency	3,797	17,855	485	3,989
Volunteer Point Allocation	-	-	-	-
Citizens and Employee Services	4,317	-	-	-
Canine Kennel Expenses	-	-	-	1,103
Recreation Instruction Expense	-	-	-	-
Garbage Cart Procurement	-	-	-	-
Election Expenses	-	3,511	-	-
Bank Service Charges	-	427	785	-
TOTAL DEPARTMENTAL EXPENDITURES	\$ 40,362	546,031	132,297	1,867,549

PUBLIC SAFETY FIRE DEPARTMENT	BUILDING, PLANNING AND ENGINEERING	PUBLIC WORKS DEPARTMENT	CULTURE AND RECREATION	NON-DEPARTMENTAL		2008
				PARKING LOT	PARKING METERS	TOTAL
71,212	60,316	47,464	60,112	-	-	\$ 426,720
1,126,243	102,278	320,676	189,749	-	-	3,000,404
62,279	-	5,474	120,524	-	23,697	239,727
94,656	12,088	27,847	28,099	-	969	276,759
135,388	14,994	34,454	24,657	-	-	356,176
221,923	31,730	76,830	49,322	-	-	617,620
55,455	4,226	24,047	8,790	-	-	152,989
-	-	-	242	-	-	242
7,429	7,927	733	9,041	-	3,532	65,184
1,597	1,028	185	1,240	-	-	9,275
1,335	347	168	188	-	-	22,464
25,272	4,725	76,027	3,623	-	-	197,209
50,486	396	85,709	977	-	-	164,422
17,604	2,364	64,543	35,345	212	-	134,758
11,739	8,079	5,754	6,440	-	-	66,541
5,726	832	2,120	4,775	-	-	17,877
15,444	126	1,402	1,255	-	-	20,690
7,969	3,642	2,372	23,537	-	5,852	88,439
5,489	200	2,246	2,350	-	4,058	21,885
19,222	716	6,184	1,682	-	-	41,671
-	442	2,092	3,336	-	-	8,278
3,334	-	-	-	-	-	3,384
15,522	88	2,873	966	-	-	23,537
3,804	501	1,114	772	-	-	10,504
-	-	-	-	-	-	20,092
-	-	3,686	-	-	-	3,686
52,985	8,132	37,831	31,492	30	-	208,961
2,384	2,197	-	3,439	-	-	21,556
13,610	1,428	-	284	-	-	34,259
3,184	13,956	600	-	-	7,933	98,245
-	-	115,357	-	-	-	115,753
-	-	29,133	-	-	-	30,115
-	-	-	-	-	-	38
6,439	747	845	4,474	472	-	39,103
4,000	-	-	-	-	-	4,000
-	-	-	-	-	-	4,317
-	-	-	-	-	-	1,103
-	-	-	83,215	-	-	83,215
-	-	13,144	-	-	-	13,144
-	-	-	-	-	-	3,511
-	-	-	-	-	-	1,212
2,041,730	283,505	990,910	699,926	714	46,041	6,649,065
						Debt Service - Principal and Interest 221,308
						TOTAL EXPENDITURES \$ 6,870,373

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES
GENERAL FUND

YEAR ENDED JUNE 30, 2008

Court Fines

Court Fines Collected	\$ 141,713
Court Fines Retained by the City	(141,713)
Total Court Fines Remitted to State Treasurer	<u><u>-</u></u>

Court Assessments

Court Assessments Collected	79,883
Court Assessments Retained by the City	-
Total Court Assessments Remitted to the State Treasurer	<u><u>79,883</u></u>

Court Surcharges

Court Surcharges Collected	31,717
Court Surcharges Retained by the City	-
Total Court Surcharges Remitted to the State Treasurer	<u><u>31,717</u></u>

Court Pullouts

Court Pullouts Collected	1,465
Court Pullouts Retained by the City	-
Total Court Pullouts Remitted to the State Treasurer	<u><u>1,465</u></u>

Victims' Assistance Fund

Funds Available for Carryforward, Beginning of Year	107,384
Court Assessments and Surcharges Allocated to Victim Assistance Fund	16,499
Interest Earned	2,422
Victim Assistance Fund Expenditures	(1,194)
Funds Available for Carryforward, End of Year	<u><u>\$ 125,111</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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 15, 2008. 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 October 15, 2008.

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
October 15, 2008