

CITY OF ISLE OF PALMS, SOUTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010



CITY OF ISLE OF PALMS, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2010

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CITY OF ISLE OF PALMS, SOUTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
YEAR ENDED JUNE 30, 2010

MAYOR

Dick Cronin

CITY COUNCIL MEMBERS

Barbara Bergwerf

Marty Bettelli

Ryan Buckhannon

Brian Duffy

Michael Loftus

Ralph Piening

Alexander Stone, III

Doug Thomas

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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, 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 September 28, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 28, 2010

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

The management of the City of Isle of Palms ("City") offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the basic financial statements and notes to the basic financial statements to enhance their understanding of the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$19,438,000 (*net assets*). Of this amount, approximately \$15,437,000 and \$4,001,000 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 \$5,481,000 for its governmental activities and approximately \$1,072,000 for its business-type activities.
- The City's total revenues of approximately \$10,741,000 exceeded total expenses of approximately \$10,364,000 resulting in an increase of approximately \$377,000.
- At the close of fiscal year 2010, the City's governmental funds reported combined ending fund balances of approximately \$9,971,000, a decrease of approximately \$664,000 over the prior year's fund balance. This decrease in fund balance is primarily related to capital spending of previously accumulated funds to complete the Public Safety Building. Approximately 34% of the total fund balance, or approximately \$3,385,000, is available for spending at the City's discretion (*unreserved, undesignated fund balance*). The unreserved, undesignated portion of total governmental fund balance increased by approximately \$78,000 or 2% over the prior year.
- At the close of fiscal year 2010, unreserved, undesignated fund balance for the General Fund was approximately \$2,270,000, or 30% of total General Fund expenditures for the year ended June 30, 2010.
- The City's total capital assets decreased by approximately \$98,000 (0.38%) during the current fiscal year, primarily due to governmental activities capital asset additions of approximately \$1,266,000 being offset by depreciation expense of approximately \$1,230,000 and \$134,000 for governmental and business-type activities, respectively. Capital asset additions were primarily related to the completion of the Public Safety Building, the purchase of a fire pumper truck, and the purchase of patrol vehicles and other equipment.
- The City's total debt (including capital leases) decreased by approximately \$975,000 (5%) during the current fiscal year due to normally scheduled debt service payments, partially offset by a new capital lease for approximately \$342,000.
- The City continues to hold an "A1" bond rating from Moody's Investors Service and an "AA" rating from Standard & Poor'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.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

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, public safety, building, planning and engineering, public works, 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 services. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains thirteen (13) 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 six (6) 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.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Agency Funds are used to account for assets the City holds on behalf of others. The City's 1% Volunteer Fire Department Fund is used by the City to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by insurance companies. Agency funds are custodial in nature and do not present results of operations. The basic financial statement of the fiduciary fund 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, 2010

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

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.

Figure A-1 Major Features of the City’s Government-Wide and Fund Basic Financial Statements				
	Fund Basic Financial Statements			
	Government-Wide Basic Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private businesses, in the City’s case, all activities related to the marina.	Instances in which the City is the trustee or agent for someone else’s resources, in the City’s case, the 1% 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.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used and liabilities that come due during the year or soon, thereafter; no capital assets or long-term obligations included.	All assets and liabilities, both financial and capital and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

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 2010 compared to 2009:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009 ^	2010	2009	2010	2009 ^
Assets:						
Current and Other Assets	\$ 12,397,217	13,498,519	1,251,533	1,104,000	13,648,750	\$ 14,602,519
Capital Assets, Net	19,526,974	19,490,643	6,207,602	6,342,063	25,734,576	25,832,706
Total Assets	31,924,191	32,989,162	7,459,135	7,446,063	39,383,326	40,435,225
Liabilities:						
Long-Term Obligations	13,996,698	14,596,673	3,350,000	3,700,000	17,346,698	18,296,673
Other Liabilities	2,490,107	2,977,650	108,203	99,812	2,598,310	3,077,462
Total Liabilities	16,486,805	17,574,323	3,458,203	3,799,812	19,945,008	21,374,135
Net Assets:						
Invested in Capital Assets, Net of Related Debt	6,976,250	7,096,693	2,928,633	2,722,305	9,904,883	9,818,998
Restricted	2,980,308	3,069,573	-	-	2,980,308	3,069,573
Unrestricted	5,480,828	5,248,573	1,072,299	923,946	6,553,127	6,172,519
Total Net Assets	\$ 15,437,386	15,414,839	4,000,932	3,646,251	19,438,318	\$ 19,061,090

^ Certain net asset amounts have been reclassified to agree to the current year presentation.

The City's total assets of \$39,383,000 decreased approximately \$1,052,000 from the prior year. The decrease was concentrated in the Capital Projects Fund as cash was expended as planned to complete the Public Safety Building, continue ongoing drainage maintenance, service existing debt, and purchase new and replacement equipment. The City also expended funds on two new projects – a drainage project in the area of 52nd-57th Avenue and the partial renovation of City Hall. In addition, post-project monitoring related to the 2008 beach restoration project was funded with cash on hand at June 30, 2009. Total liabilities as of June 30, 2010 decreased by approximately \$1,429,000 from the prior year primarily due to a \$950,000 decrease in long-term obligations resulting from normally scheduled debt service payments. Accounts payable were also down due to the completion of the Public Safety Building.

The City's net assets increased by approximately \$377,000 during the current fiscal year due to 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 \$19,438,000 as of June 30, 2010. Approximately 51% of total net assets (\$9,905,000) reflect the City's investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 15% of net assets (\$2,980,000) represent resources that are subject to external restrictions on how they may be used. These net assets are restricted primarily for special revenue programs which are restricted by the revenue source.

The remaining portion of the City's net assets (34% or \$6,553,000) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net assets for fiscal year 2010 compared to 2009.

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,854,039	2,995,792	354,844	383,212	3,208,883	\$ 3,379,004
Operating Grants and Contributions	-	2,686	-	-	-	2,686
Capital Grants and Contributions	132,184	3,558,931	-	-	132,184	3,558,931
General Revenues:						
Taxes	7,000,504	7,011,347	-	-	7,000,504	7,011,347
Other	395,453	1,336,201	3,917	55,651	399,370	1,391,852
Total Revenues	10,382,180	14,904,957	358,761	438,863	10,740,941	15,343,820
Expenses:						
General Government	1,432,769	1,372,390	-	-	1,432,769	1,372,390
Public Safety	4,989,897	4,634,937	-	-	4,989,897	4,634,937
Building, Planning and Engineering	311,676	303,645	-	-	311,676	303,645
Public Works	1,469,747	1,505,542	-	-	1,469,747	1,505,542
Culture and Recreation	906,726	990,515	-	-	906,726	990,515
Non-Departmental	278,575	6,304,275	-	-	278,575	6,304,275
Interest on Long-Term Obligations	557,416	538,410	-	-	557,416	538,410
Marina	-	-	416,907	419,298	416,907	419,298
Total Expenses	9,946,806	15,649,714	416,907	419,298	10,363,713	16,069,012
Change in Net Assets Before Transfers	435,374	(744,757)	(58,146)	19,565	377,228	(725,192)
Transfers	(412,827)	(276,000)	412,827	276,000	-	-
Change in Net Assets	22,547	(1,020,757)	354,681	295,565	377,228	(725,192)
Net Assets - Beginning of Year	15,414,839	16,435,596	3,646,251	3,350,686	19,061,090	19,786,282
Net Assets - End of Year	\$ 15,437,386	15,414,839	4,000,932	3,646,251	19,438,318	\$ 19,061,090

Governmental Activities: Governmental activities had a net increase in net assets of approximately \$23,000.

Compared to the prior year, total governmental activities revenue decreased by approximately \$4,523,000 or 30%. Key changes compared to the prior year were as follows:

- Capital grants and contributions decreased by approximately \$3,427,000 or 96%. The revenues in fiscal year 2009 were a one-time injection of funds related to a significant beach restoration project.
- General revenues from intergovernmental sources were down approximately \$914,000 or 77%. \$900,000 of this decline is specific to a one-time contribution in fiscal year 2009 from Charleston County to the significant beach restoration project referenced above.
- General revenues resulting from tourism (accommodations and hospitality taxes) were down approximately \$101,000 or 4% due to a 50% decline (approximately \$114,000) in transfers from Charleston County.
- Charges for services were down approximately \$142,000 or 5% primarily due to a \$253,000 decline in business license revenue offset by increases in revenues from parking, recreation fees and public utility fees.

CITY OF ISLE OF PALMS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities: (Continued)

Expenses related to total governmental activities decreased by approximately \$5,703,000, or 36%, from the prior year. Key changes as compared to the prior year were as follows:

- The single biggest factor in the expense decline is a \$6,033,000 decrease in expense related to beach restoration. The major work of this project was completed in fiscal year 2009.
- Depreciation expense increased approximately \$241,000 primarily due to the addition of the Public Safety Building.
- Salary and fringe expense increased by approximately \$119,000, or 2%, attributable to cost of living and merit increases offset by health insurance savings stemming from the change to a higher deductible plan.

Business-Type Activities: Net assets related to business-type activities (i.e., the marina) increased by approximately \$355,000. This increase was due to budgeted transfers in from the General Fund, State Accommodations Tax Fund and the Hospitality Tax Fund to support marina debt service.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of approximately \$9,971,000, a decrease of approximately \$664,000 or 6% over the prior year's combined fund balance. This change is primarily attributable to planned capital expenditures for the Public Safety Building and City Hall renovation for which offsetting resources from a GO bond and designated reserves had been accumulated in prior years.

Approximately 34% of the total governmental fund balance (\$3,385,000) constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed: (1) for tourism-related expenditures or operating expenses incurred to serve tourists (\$2,604,000), (2) for recovery efforts on future disasters (\$1,828,000), (3) for construction and renovation of municipal buildings (\$1,056,000), (4) for drainage initiatives (\$292,000), (5) for debt service (\$197,000), and (6) for other purposes primarily related to police department initiatives, recreation center improvements, island beautification, victims' services, narcotics programs and inventories on hand (\$610,000).

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, the total fund balance was approximately \$2,537,000. As a measure of the General Fund's liquidity, it is useful to compare total unreserved fund balance to total General Fund expenditures. Total unreserved, undesignated fund balance of the General Fund (\$2,270,000) represents approximately 30% of total General Fund expenditures (\$7,664,000). The unreserved, undesignated fund balance remained the same as the prior year.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Highlights for the General Fund were as follows:

- Property tax revenue is stable. The millage rate remained at 22.2.
- Total General Fund revenues were down by approximately \$105,000 from the prior year primarily due to decreases in local option sales taxes, business licenses and insurance licenses.
- In order to maintain the level of service that residents and visitors expect, the City supplemented General Fund revenues with tourism-related revenues, where appropriate. In fiscal year 2010, \$193,000 of tourism-related revenue was transferred into the General Fund to help pay for public safety and public works efforts tied to tourism.
- Total General Fund expenditures were approximately \$280,000 greater than fiscal year 2009:
 - Debt service expense increased by approximately \$201,000. Fiscal year 2010 was the first full year of debt service on the Public Safety Building GO bond and also the first year that a significant amount of debt service expense on Fire Station #2 was not offset by residual bond proceeds on hand.
 - Salary and fringe expense (the largest component of General Fund expenditures) increased by approximately \$119,000, or 2%. The increase was attributable to cost of living and merit increases offset by health insurance savings stemming from the change to a higher deductible health insurance plan.
- The General Fund is the only significant ongoing source of funding for the City's Capital Projects Fund. In fiscal year 2010, the General Fund transferred approximately \$401,000 to the Capital Projects Fund.

The total fund balance of the remaining governmental funds (Capital Projects, Special Revenue, and Non-major Funds) decreased by approximately \$715,000 from the prior year as planned expenditures were made in accordance with the requirements of each particular fund. Highlights for these funds were as follows:

- The Capital Projects Fund expended approximately \$570,000 (which includes approximately \$119,000 of new public safety dispatch radio equipment) in the completion of the Public Safety Building, \$54,000 for the design of a drainage project in the area of 52th – 57th Avenues, \$24,000 for the design of renovations to City Hall and \$142,000 for various capital purchases. The City also purchased a new fire pumper truck, via a municipal lease, for approximately \$342,000. The ending fund balance in the Capital Projects Fund was approximately \$2,621,000.
- Accommodations-related revenues decreased from the prior year by approximately 5% primarily due to a 50% decrease in Charleston County accommodations fees passed through to the City (approximately \$114,000). Accommodations funds were expended for various tourism-related efforts, including maintenance of the Front Beach area and public restrooms, a portion of lease payments on fire and public works vehicles, purchases of police patrol vehicles, debt service on the recreation center and marina, and special events such as the 4th of July fireworks show. At June 30, 2010, the Municipal Accommodations Fee Fund had a fund balance of approximately \$928,000 while the State Accommodations Tax Fund had a balance of approximately \$1,028,000.
- The Disaster Recovery Fund balance increased by approximately \$15,000 due to interest income. The fund balance at June 30, 2010 was approximately \$1,828,000. City Council has articulated an intention 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 natural disasters, particularly hurricanes.
- The Hospitality Tax fund balance at June 30, 2010 was approximately \$648,000. Hospitality tax revenues (including interest) were approximately \$470,000 in 2010. In 2010, these funds were used to support capital purchases in the Police and Public Works Departments, fund a portion of the debt service on Fire Station #2 GO bond, and fund City-wide expenses related to landscaping and street sweeping.

Proprietary Fund. The City's proprietary fund provides the same type of information found in the government-wide statements, but in more detail. Net assets of the Marina Enterprise Fund at the end of fiscal year 2010 amounted to approximately \$4,001,000. Please see "Business-Type Activities" discussion in the previous section for details.

Fiduciary Funds. The Volunteer Fire Department Fund is used by the City to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by fire insurance companies. Agency funds are custodial in nature and do not present results of operations. The Fiduciary Fund had amounts held in custody for others of approximately \$48,000 at June 30, 2010.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)

General Fund Budgetary Highlights: If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services. The City did not make any budget amendments during fiscal year 2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s net investment in capital assets as of June 30, 2010 amounted to approximately \$25,735,000. This investment in capital assets includes land, construction in progress, buildings, improvements, equipment and other infrastructure. The City’s capital assets (net of depreciation) as of June 30, 2010 and 2009 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,913,446	2,913,446	3,035,786	3,035,786	5,949,232	\$ 5,949,232
Construction in Progress	124,224	6,958,113	-	-	124,224	6,958,113
Land Improvements	1,161,507	1,210,621	2,460,995	2,527,456	3,622,502	3,738,077
Buildings and Improvements	12,673,389	5,863,094	455,279	492,952	13,128,668	6,356,046
Vehicles and Vehicle Equipment	1,703,678	1,603,033	-	-	1,703,678	1,603,033
Equipment	920,879	906,037	242	12,741	921,121	918,778
Furniture and Fixtures	29,851	36,299	-	-	29,851	36,299
Docks	-	-	255,299	273,128	255,299	273,128
Total	\$ 19,526,974	19,490,643	6,207,601	6,342,063	25,734,575	\$ 25,832,706

The total decrease in the City’s investment in capital assets for fiscal year 2010 was approximately \$98,000 or 0.38%. Major capital asset events during fiscal year 2010 included the following:

- Capital asset additions of approximately \$1,266,000 consisted primarily of:
 - Construction of the new public safety building - \$451,000.
 - Design and engineering of a drainage project in the vicinity of 54th – 57th Avenues - \$54,000.
 - Purchase of new public safety dispatch radio equipment – \$119,000
 - Purchase of new fire pumper truck - \$342,000
- Depreciation expense of approximately \$1,230,000 for governmental activities and \$134,000 for business-type activities.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

As of June 30, 2010, the City had total outstanding debt of approximately \$17,069,000. Of this total, \$15,010,000 was general obligation debt backed by the full faith and credit of the City. The City's total debt and capital lease obligations as of June 30, 2010 and 2009 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 11,660,000	12,105,000	3,350,000	3,700,000	15,010,000	\$ 15,805,000
Bank Loan	1,168,204	1,438,238	-	-	1,168,204	1,438,238
Capital Lease Obligations	890,724	801,129	-	-	890,724	801,129
Total	\$ 13,718,928	14,344,367	3,350,000	3,700,000	17,068,928	\$ 18,044,367

The total decrease in the City's debt and capital leases for fiscal year 2010 was approximately \$975,000 or 5%. Major events during fiscal year 2010 included the following:

- Issuance of a planned municipal lease for a fire pumper truck for approximately \$342,000.
- Scheduled principal payments on general obligation bonds and a bank loan of approximately \$1,065,000.
- Scheduled principal payments on capital leases of approximately \$252,000.

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, 2010 was approximately \$17,000,000. The City had \$10,335,000 of bonded debt subject to the 8% limit and thus as of June 30, 2010 had an unused legal debt margin of approximately \$6,665,000.

The City of Isle of Palms maintains an "A1" rating from Moody's Investors Service and an "AA" rating from Standard & Poor's.

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 2011 budget. The state of the economy, tourism activity, anticipated building activity, future capital needs and the best interests of the City's residents were all taken into account.

- **Millage:** The City's 2011 budget maintains a millage rate of 22.2.
- **General Fund Revenues:** Given the current economic climate, the fiscal year 2011 budget was decreased for local option sales tax revenue and business license revenue. Also, based on actions of the SC General Assembly, state-shared revenues related to the Local Government Fund were decreased.
- **Transfers into the General Fund:** The City continues to supplement General Fund revenues with transfers in from tourism-related funds. The fiscal year 2011 budget includes a total of approximately \$475,000 to offset the expense of public safety and public works personnel who provide services to tourists.
- **Tourism-Related Revenues:** The 2011 budget projects a 5% decline in State Accommodations Tax, Municipal Accommodations Tax and Hospitality Tax revenues. The City feels this is a very conservative estimate given the collection experience of these revenues for fiscal year 2010.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

- **Personnel:** The City's budget for the fiscal year 2011 eliminates a full-time position in the Public Works Department.
Salaries and Wages: City Council has eliminated "Cost of Living" payroll adjustments and moved to an exclusively merit-based pay system. The 2011 budget includes a 2% provision for merit-based salary and wage adjustments.
- **City Hall Renovation:** The budget includes \$285,000 for renovations on the City Hall building to move the Building and Planning Department into the space previously occupied by the Police Department.
- **Drainage Improvements:** The 2011 budget includes approximately \$612,000 for the design, engineering and construction of the 52nd-57th Avenue drainage project. A portion of this project is being funded with grants from the Charleston County Transportation Sales Tax ("TST") and the Charleston Transportation Committee ("CTC").

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, 2010

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,573,835	1,123,987	\$ 7,697,822
Cash and Cash Equivalents - Restricted	4,200,294	-	4,200,294
Investments	250,000	-	250,000
Investments - Restricted	310,989	-	310,989
Taxes Receivable, Net	167,909	-	167,909
Other Receivables, Net	728,852	56,515	785,367
Due from Other Governments	140,059	-	140,059
Inventory	25,279	-	25,279
Bond Issuance Costs, Net	-	71,031	71,031
Capital Assets:			
Non-Depreciable	3,037,670	3,035,786	6,073,456
Depreciable, Net	16,489,304	3,171,816	19,661,120
TOTAL ASSETS	31,924,191	7,459,135	39,383,326
LIABILITIES			
Accounts Payable	317,120	11,786	328,906
Other Accrued Liabilities	224,683	22,500	247,183
Court Assessments/Victims' Rights Liabilities	83,958	-	83,958
Accrued Interest	184,478	73,183	257,661
Unearned Revenue	1,679,868	734	1,680,602
Long-Term Obligations:			
Due Within One Year	1,197,432	380,000	1,577,432
Due in More Than One Year	12,799,266	2,970,000	15,769,266
TOTAL LIABILITIES	16,486,805	3,458,203	19,945,008
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,976,250	2,928,633	9,904,883
Restricted For:			
Tourism Related Expenditures	2,603,592	-	2,603,592
Debt Service	196,573	-	196,573
Victims' Services	107,478	-	107,478
Narcotics Program	27,911	-	27,911
Other	44,754	-	44,754
Unrestricted	5,480,828	1,072,299	6,553,127
TOTAL NET ASSETS	\$ 15,437,386	4,000,932	\$ 19,438,318

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, 2010

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 Primary Government
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,432,769	134,249	-	132,184	(1,166,336)	-	\$ (1,166,336)
Public Safety	4,989,897	-	-	-	(4,989,897)	-	(4,989,897)
Building, Planning, and Engineering	311,676	2,226,694	-	-	1,915,018	-	1,915,018
Public Works	1,469,747	-	-	-	(1,469,747)	-	(1,469,747)
Culture and Recreation	906,726	202,843	-	-	(703,883)	-	(703,883)
Non-Departmental	278,575	290,253	-	-	11,678	-	11,678
Interest on Long Term Obligations	557,416	-	-	-	(557,416)	-	(557,416)
Total Governmental Activities	9,946,806	2,854,039	-	132,184	(6,960,583)	-	(6,960,583)
Business-Type Activities:							
Marina	416,907	354,844	-	-	-	(62,063)	(62,063)
TOTAL PRIMARY GOVERNMENT	\$ 10,363,713	3,208,883	-	132,184	(6,960,583)	(62,063)	(7,022,646)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,706,519	-	3,706,519
Property Taxes Levied for Debt Service Purposes					629,695	-	629,695
Local Option Sales Taxes					503,988	-	503,988
Hospitality Taxes					467,795	-	467,795
Accommodations Taxes					1,692,507	-	1,692,507
Intergovernmental					274,716	-	274,716
Interest Income					69,000	3,917	72,917
Gain (Loss) on Disposal of Capital Assets					31,169	-	31,169
Miscellaneous					20,568	-	20,568
Transfers In (Out)					(412,827)	412,827	-
Total General Revenues and Transfers					6,983,130	416,744	7,399,874
CHANGE IN NET ASSETS					22,547	354,681	377,228
NET ASSETS, Beginning of Year					15,414,839	3,646,251	19,061,090
NET ASSETS, End of Year					15,437,386	4,000,932	\$ 19,438,318

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, 2010

	GENERAL FUND	CAPITAL PROJECTS FUND	MUNICIPAL ACCOM- MODATIONS FEE FUND
ASSETS			
Cash and Cash Equivalents	\$ 2,717,947	2,232,061	-
Cash and Cash Equivalents - Restricted	316,100	123,653	753,140
Investments	-	-	-
Investments - Restricted	-	292,453	-
Taxes Receivable	167,909	-	-
Accounts Receivable	108,740	-	220,347
Due From:			
Other Governments	140,059	-	-
Other Funds	62,057	400,890	-
Inventory	25,279	-	-
TOTAL ASSETS	3,538,091	3,049,057	973,487
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	153,288	11,966	19,580
Other Accrued Liabilities	224,683	-	-
Court Assessments/Victims' Rights Liabilities	83,958	-	-
Due To:			
Other Funds	402,550	304	26,163
Deferred Revenue, Property Taxes	121,045	-	-
Deferred/Unearned Revenue, Other	15,824	416,106	-
TOTAL LIABILITIES	1,001,348	428,376	45,743
FUND BALANCES			
Reserved For:			
Inventory	25,279	-	-
Victims' Services	-	-	-
Narcotics Program	-	-	-
Debt Service	196,573	-	-
Tourism Related Expenditures	-	-	927,744
Other	44,754	-	-
Unreserved:			
Drainage Improvements	-	291,912	-
Recovery Efforts on Future Disasters	-	-	-
Recreation Center	-	273,900	-
Beautification	-	-	-
Construction & Renovation of Municipal Buildings	-	1,056,194	-
Undesignated	2,270,137	998,675	-
TOTAL FUND BALANCES	2,536,743	2,620,681	927,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,538,091	3,049,057	973,487

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
-	1,577,679	-	-	46,148	\$ 6,573,835
810,366	-	607,015	1,262,319	327,701	4,200,294
-	250,000	-	-	-	250,000
-	-	-	-	18,536	310,989
-	-	-	-	-	167,909
328,733	-	71,032	-	-	728,852
-	-	-	-	-	140,059
1,091	-	-	-	1,661	465,699
-	-	-	-	-	25,279
1,140,190	1,827,679	678,047	1,262,319	394,046	12,862,916
111,983	-	1,056	14,381	4,866	317,120
-	-	-	-	-	224,683
-	-	-	-	-	83,958
-	-	29,350	-	7,332	465,699
-	-	-	-	-	121,045
-	-	-	1,247,938	-	1,679,868
111,983	-	30,406	1,262,319	12,198	2,892,373
-	-	-	-	-	25,279
-	-	-	-	107,478	107,478
-	-	-	-	27,911	27,911
-	-	-	-	-	196,573
1,028,207	-	647,641	-	-	2,603,592
-	-	-	-	-	44,754
-	-	-	-	-	291,912
-	1,827,679	-	-	-	1,827,679
-	-	-	-	84,380	358,280
-	-	-	-	46,148	46,148
-	-	-	-	-	1,056,194
-	-	-	-	115,931	3,384,743
1,028,207	1,827,679	647,641	-	381,848	9,970,543
1,140,190	1,827,679	678,047	1,262,319	394,046	\$ 12,862,916

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

JUNE 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 9,970,543**

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.	121,045
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 \$26,598,125 and the accumulated depreciation was \$7,071,151.	19,526,974
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.	(184,478)
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	(12,828,204)
Capital Leases	(890,724)
Compensated Absences	(277,770)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 15,437,386**

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, 2010

*

	GENERAL FUND	CAPITAL PROJECTS FUND	MUNICIPAL ACCOM- MODATIONS FEE FUND
REVENUES			
Property Taxes	\$ 4,288,115	-	-
Local Option Sales Tax	503,988	-	-
Hospitality Taxes	-	-	-
Intergovernmental	269,342	5,374	704,893
Licenses and Permits	2,226,694	-	-
Fines and Forfeitures	121,492	-	-
Contributions of Cash	-	-	-
Revenues from Use of Property	290,253	-	-
Interest	9,817	11,961	4,541
Other	212,985	6,486	-
TOTAL REVENUES ALL SOURCES	7,922,686	23,821	709,434
EXPENDITURES			
Current:			
General Government	768,580	25,515	26,178
Public Safety	4,161,921	44,830	-
Building, Planning, and Engineering	301,365	-	-
Public Works	1,009,194	166,558	82,153
Culture and Recreation	731,346	7,842	-
Non-Departmental	30,253	-	54,291
Capital Outlay	-	1,054,550	62,175
Debt Service:			
Principal	321,000	115,552	114,504
Interest	339,858	84,284	41,543
TOTAL EXPENDITURES	7,663,517	1,499,131	380,844
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	259,169	(1,475,310)	328,590
OTHER FINANCING SOURCES (USES)			
Transfers In	220,989	400,890	-
Transfers Out	(454,833)	-	(403,578)
Capital Leases	-	342,155	-
Sale of Capital Assets	26,216	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(207,628)	743,045	(403,578)
NET CHANGES IN FUND BALANCES	51,541	(732,265)	(74,988)
FUND BALANCES, Beginning of Year	2,485,202	3,352,946	1,002,732
FUND BALANCES, End of Year	\$ 2,536,743	2,620,681	927,744

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

STATE ACCOM- MODATIONS TAX FUND	DISASTER RECOVERY FUND	HOSPITALITY TAX FUND	BEACH RESTORATION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	-	\$ 4,288,115
-	-	-	-	-	503,988
-	-	467,795	-	-	467,795
987,614	-	-	-	-	1,967,223
-	-	-	-	-	2,226,694
-	-	-	-	12,757	134,249
-	-	-	132,184	-	132,184
-	-	-	-	-	290,253
4,548	14,996	2,402	18,550	2,185	69,000
-	-	-	-	3,940	223,411
992,162	14,996	470,197	150,734	18,882	10,302,912
369,420	-	-	96,392	36,558	1,322,643
8,040	-	-	-	5,153	4,219,944
-	-	1,166	-	-	302,531
9,036	-	58,488	-	-	1,325,429
23,799	-	-	-	61	763,048
140,050	-	-	53,981	-	278,575
39,552	-	17,669	-	14,141	1,188,087
68,504	-	78,000	270,034	-	967,594
8,670	-	39,381	45,448	-	559,184
667,071	-	194,704	465,855	55,913	10,927,035
325,091	14,996	275,493	(315,121)	(37,031)	(624,123)
-	-	-	315,482	150,371	1,087,732
(254,942)	-	(259,071)	(100,371)	(27,764)	(1,500,559)
-	-	-	-	-	342,155
4,953	-	-	-	-	31,169
(249,989)	-	(259,071)	215,111	122,607	(39,503)
75,102	14,996	16,422	(100,010)	85,576	(663,626)
953,105	1,812,683	631,219	100,010	296,272	10,634,169
1,028,207	1,827,679	647,641	-	381,848	\$ 9,970,543

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, 2010

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (663,626)**

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.	48,099
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.	967,594
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.	(342,155)
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.	1,768
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.	(25,464)
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 (\$1,266,411) exceeded depreciation expense (\$1,230,080) in the current period.	36,331

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 22,547**

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, 2010

	<u>MARINA</u> <u>ENTERPRISE FUND</u> <u>JUNE 30, 2010</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,123,987
Accounts Receivable	56,515
Total Current Assets	<u>1,180,502</u>
Noncurrent Assets:	
Bond Issuance Costs, Net	71,031
Capital Assets:	
Land	3,035,786
Land Improvements	2,655,808
Buildings and Improvements	846,998
Docks	532,582
Equipment	262,228
Less: Accumulated Depreciation	(1,125,800)
Total Noncurrent Assets	<u>6,278,633</u>
TOTAL ASSETS	<u>7,459,135</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	11,786
Unearned Revenue	734
Accrued Interest	73,183
Security Deposits	22,500
Bond Payable, Current Portion	380,000
Total Current Liabilities	<u>488,203</u>
Noncurrent Liabilities:	
Bond Payable, Net of Current Portion	2,970,000
TOTAL LIABILITIES	<u>3,458,203</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,928,633
Unrestricted	1,072,299
TOTAL NET ASSETS	<u><u>\$ 4,000,932</u></u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	<u>MARINA</u> <u>ENTERPRISE FUND</u> <u>2010</u>
OPERATING REVENUES	
Lease Income	\$ 354,844
TOTAL OPERATING REVENUES	<u>354,844</u>
OPERATING EXPENSES	
Depreciation	134,461
Insurance	72,793
Professional Services	8,815
Utilities	647
Maintenance and Service Contracts	1,444
Advertising	5,000
Miscellaneous	852
TOTAL OPERATING EXPENSES	<u>224,012</u>
OPERATING INCOME	<u>130,832</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Income	3,917
Amortization of Bond Issue Costs	(9,211)
Interest Expense	(183,684)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(188,978)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(58,146)</u>
Transfers In	412,827
CHANGE IN NET ASSETS	<u>354,681</u>
NET ASSETS, Beginning of Year	<u>3,646,251</u>
NET ASSETS, End of Year	<u><u>\$ 4,000,932</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, 2010

	MARINA ENTERPRISE FUND 2010
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 382,983
Cash Payments to Suppliers for Goods and Services	(96,700)
NET CASH PROVIDED BY OPERATING ACTIVITIES	286,283
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	412,827
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	412,827
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Bonds	(350,000)
Interest Paid on Bonds	(175,878)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(525,878)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	3,917
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,917
NET INCREASE IN CASH AND CASH EQUIVALENTS	177,149
CASH AND CASH EQUIVALENTS, Beginning of Year	946,838
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,123,987
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 130,832
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	134,461
Change Due to (Increase) Decrease in Operating Assets:	
Other Receivable	20,405
Change Due to Increase (Decrease) in Operating Liabilities:	
Other Payables	585
Net Cash Provided by Operating Activities	286,283
SUPPLEMENTAL INFORMATION FOR NONCASH ACTIVITIES:	
Depreciation Expense	\$ 134,461
Amortization Expense	\$ 9,211

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND

JUNE 30, 2010

	<u>VOLUNTEER FIRE</u>
ASSETS	
Cash and Cash Equivalents - Restricted	\$ 49,992
Accounts Receivable	293
TOTAL ASSETS	<u>50,285</u>
LIABILITIES	
Accounts Payable	2,046
Due To Volunteer Fire Department	48,239
TOTAL LIABILITIES	<u>\$ 50,285</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, 2010

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 full-time City residents and about 300,000 to 500,000 tourists annually. The City operates under a Council form of government. The mayor and eight members of council (the "Council") establish policy for the City. Administrative functions are directed by the City Administrator.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

As required by GAAP, the basic financial statements present the City's financial information with its component unit. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City. In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City's basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has no blended or discretely presented component unit.

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

Major Operations

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

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City's major and non-major governmental fund types are as follows:

The **General Fund, a major fund**, is the general operating fund of the City and accounts for all revenues and expenditures of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any unreserved fund balance is generally considered a resource available for use.

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

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

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

The **Beach Restoration Fund, a major special revenue fund**, is used to account for nourishment, monitoring, and regulatory compliance related to the 2008 beach restoration project. This is a budgeted fund.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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 Aisle of Palms	State Narcotics Recreation Building	Victims' Assistance Beach Maintenance
-------------------------------------	--	--

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, 2010

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 original maturities of more than three months when initially purchased are reported as investments.

Investments

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

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

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

2. Receivables and Payables

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. To the extent that certain transactions between funds had not been paid or received as of year end, balances of interfund amounts or payables have been recorded. All trade and property taxes receivable are shown net of an allowance for uncollectibles.

3. Inventories and Prepaids

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

4. Capital Assets

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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 separation or retirement. Sick leave can only be used while employed with the City and will not be paid out at termination or retirement.

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

6. Accrued Liabilities and Long-Term Obligations

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a GAAP basis. During the months of February through May, the City’s Administration, with other department input, develops a preliminary budget model for operational and capital expenditures, and develops revenue projections as a proposed means of financing the proposed expenditures.

The City Treasurer and the City Administrator refine the budget model, develop objectives and update trends related to service efforts and accomplishments during the month of April. During May, the proposed budget is presented by the City Administrator to City Council. The budget includes proposed expenditures and the means for financing them.

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

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

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

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

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, 2010, none of the City’s bank balances of approximately \$6,017,000 (with a carrying value of approximately \$5,913,000) were exposed to custodial credit risk.

Investments

As of June 30, 2010, the City had the following investments and maturities:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 6,596,545	Unrated	^

^ Investments in 2a-7 like funds are not required to disclose interest rate risk.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

A. Deposits and Investments (Continued)

Investments (Continued)

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, 2010 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, grants, etc.).

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

Statement of Net Assets	Amount
Cash and Cash Equivalents	\$ 7,697,822
Cash and Cash Equivalents - Restricted	4,200,294
Investments	250,000
Investments - Restricted	310,989
<hr/>	
Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund	
Cash and Cash Equivalents	49,992
Total Cash and Investments per Basic Financial Statements	\$ 12,509,097
<hr/>	
Notes	Amount
Carrying Value of Deposits	\$ 5,912,552
Investments	6,596,545
Total Cash and Investments per Notes to Basic Financial Statements	\$ 12,509,097

B. Property Taxes and Other Receivables

The City's 2009 property taxes were levied on September 30, 2009 and were due beginning on this date based on the assessed valuation on real and personal property of approximately \$215,000,000 as of January 1, 2009. Property taxes were considered late on January 17, 2010. 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 2009 property tax year was 22.2 mills (unchanged from the prior year). City property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

B. Property Taxes and Other Receivables (Continued)

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).

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

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

	General Fund	Municipal	State	Hospitality Tax Fund	Marina Enterprise Fund	Totals
		Accommodations Fee Fund	Tax Fund			
Property taxes	\$ 175,842	-	-	-	-	\$ 175,842
Allowance for Uncollectibles	(7,933)	-	-	-	-	(7,933)
Local Option Sales Tax	140,059	-	-	-	-	140,059
Accommodations Taxes	23,552	220,347	328,733	-	-	572,632
Hospitality Taxes	-	-	-	71,032	-	71,032
Marina Operations	-	-	-	-	56,515	56,515
MASC Insurance License	3,151	-	-	-	-	3,151
Franchise Fees	41,274	-	-	-	-	41,274
State Aid to Subdivisions	28,621	-	-	-	-	28,621
Other	12,142	-	-	-	-	12,142
Net Receivables	<u>\$ 416,708</u>	<u>220,347</u>	<u>328,733</u>	<u>71,032</u>	<u>56,515</u>	<u>\$ 1,093,335</u>

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

Deferred/Unearned Revenue

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

At June 30, 2010, the various components of deferred/unearned revenue were as follows:

<u>Primary Government</u>	Fund	Deferred	Unearned	Total
Property Taxes Receivable	General	\$ 121,045	-	\$ 121,045
Grant Revenue	Capital Projects	-	416,106	416,106
Cash Contributions	Beach Restoration	-	1,247,938	1,247,938
Residential Rental Licenses	General	-	15,824	15,824
Rents	Marina Enterprise	-	734	734
Total Deferred/Unearned Revenue		<u>\$ 121,045</u>	<u>1,680,602</u>	<u>\$ 1,801,647</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2010, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 62,057	\$ 402,550
Capital Projects Fund	400,890	304
Municipal Accommodations Fee Fund	-	26,163
State Accommodations Tax Fund	1,091	-
Hospitality Tax Fund	-	29,350
Victims Assistance Fund	1,661	7,332
Totals	\$ 465,699	\$ 465,699

The Capital Projects receivable of \$400,890 from the General Fund was made out of the General Fund balances at June 30, 2010 for future capital projects. The Municipal Accommodations Fee Fund payable of approximately \$26,000 to the General Fund represents public works and beach service salaries paid out of the General Fund. The Hospitality Tax Fund payable of approximately \$29,000 to the General Fund represents tourism related salaries paid out of the General Fund in June of 2010. The Victims Assistance Fund payable represents salaries paid to the City's Victims' Advocates from the General Fund. All interfund balances are expected to be paid back within one year.

Interfund Transfers

Transfers between funds for the year ended June 30, 2010, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ 220,989	\$ 454,833
Capital Projects Fund	400,890	-
Municipal Accommodations Fee Fund	-	403,578
State Accommodations Tax Fund	-	254,942
Hospitality Tax Fund	-	259,071
Beach Restoration Fund	315,482	100,371
Victims Assistance Fund	-	27,764
Beach Maintenance Fund	150,371	-
Marina Enterprise Fund	412,827	-
Totals	\$ 1,500,559	\$ 1,500,559

Transfers made out of the General Fund were primarily to fund future capital projects. Transfers made out of the Municipal Accommodations Fee Fund were mainly to finance debt service payments in the Beach Restoration Fund. Transfers made out of the Hospitality Tax Fund and the State Accommodations Tax Fund were primarily for Marina dredging services. Transfers out of the Beach Restoration Fund were made to create a new Beach Maintenance Fund. The remaining transfers out were primarily to the Marina Enterprise Fund for debt service and to the Beach Restoration Fund for coastal nourishment and shoreline monitoring.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 2,913,446	-	-	-	\$ 2,913,446
Construction In Progress	6,958,113	78,324	-	(6,912,213)	124,224
Total Capital Assets, Non-Depreciable	9,871,559	78,324	-	(6,912,213)	3,037,670
Capital Assets, Depreciable:					
Land Improvements	2,004,180	62,677	7,098	-	2,059,759
Buildings and Improvements	7,613,025	451,101	-	6,912,213	14,976,339
Vehicles and Vehicle Equipment	3,989,985	462,168	421,175	-	4,030,978
Equipment	2,274,085	212,141	70,936	-	2,415,290
Furniture and Fixtures	80,343	-	2,254	-	78,089
Total Capital Assets, Depreciable	15,961,618	1,188,087	501,463	6,912,213	23,560,455
Less: Accumulated Depreciation for:					
Land Improvements	793,559	111,791	7,098	-	898,252
Buildings and Improvements	1,749,931	553,019	-	-	2,302,950
Vehicles and Vehicle Equipment	2,386,952	361,523	421,175	-	2,327,300
Equipment	1,368,048	197,299	70,936	-	1,494,411
Furniture and Fixtures	44,044	6,448	2,254	-	48,238
Total Accumulated Depreciation	6,342,534	1,230,080	501,463	-	7,071,151
Total Capital Assets, Depreciable, Net	9,619,084	(41,993)	-	6,912,213	16,489,304
Governmental Activities Capital Assets, Net	\$ 19,490,643	36,331	-	-	\$ 19,526,974

The cost of equipment recorded under capital lease was approximately \$1,896,000. Accumulated amortization on the equipment recorded under capital lease was approximately \$976,000 at June 30, 2010. Amortization of assets, recorded under capital lease obligations, has been included with depreciation expense.

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

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 32,797	\$ 134,493
Public Safety	1,062,047	744,489
Building and Planning	3,017	9,145
Public Works	163,551	143,678
Culture and Recreation	4,999	198,275
Total - Governmental Activities	\$ 1,266,411	\$ 1,230,080

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Capital Assets (Continued)

Capital asset activity for the City's business-type activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Non-Depreciable				
Land	\$ 3,035,786	-	-	\$ 3,035,786
Total Capital Assets, Non-Depreciable	<u>3,035,786</u>	<u>-</u>	<u>-</u>	<u>3,035,786</u>
Capital Assets, Depreciable				
Land Improvements	2,655,808	-	-	2,655,808
Buildings and Improvements	846,998	-	-	846,998
Docks	532,582	-	-	532,582
Equipment	262,228	-	-	262,228
Total Capital Assets, Depreciable	<u>4,297,616</u>	<u>-</u>	<u>-</u>	<u>4,297,616</u>
Less: Accumulated Depreciation for:				
Land Improvements	128,352	66,460	-	194,812
Buildings and Improvements	354,046	37,673	-	391,719
Docks	259,454	17,829	-	277,283
Equipment	249,487	12,499	-	261,986
Total Accumulated Depreciation	<u>991,339</u>	<u>134,461</u>	<u>-</u>	<u>1,125,800</u>
Total Capital Assets, Depreciable, Net	<u>3,306,277</u>	<u>(134,461)</u>	<u>-</u>	<u>3,171,816</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,342,063</u>	<u>(134,461)</u>	<u>-</u>	<u>\$ 6,207,602</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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. The City’s Bank Loan (“BL”) is an obligation of the City that is secured by revenue from a specific source. Capital Lease (“CL”) obligations are special obligations of the City payable from the general revenues of the City. The full faith, credit and taxing powers of the City are not pledged for the payment of the bank loan or capital lease obligations nor the interest thereon. Details on the City’s outstanding debt and capital leases as of June 30, 2010 are as follows:

	<u>Principal Outstanding at Year End</u>
<i>General Obligation Bonds and Bank Loan</i>	
\$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.	\$ 2,200,000
\$3,650,000 General Obligation Bonds Series 2006 (August, 2006) issued to defray the cost of constructing and equipping a new Fire Station 2 and making certain other expenditures related thereto. Principal is payable annually and interest, at 3.99%, semi-annually. Annual debt service requirements range from approximately \$176,000 to \$286,000 through July, 2026. Debt service payments were first paid from the prior year residual bond proceeds and then were paid 60% by the Hospitality Tax Fund and 40% by the General Fund.	3,160,000
\$2,925,000 General Obligation Bond (April, 2008) refinanced the remaining balance on the \$4,250,000 General Obligation Bond series 1999 (January, 1999) which originally purchased the Marina, was approved through voter referendum, and thus is not subject to the 8% debt limit. Principal is payable annually and interest, at 5.15%, semi-annually. Annual debt service requirements range from approximately \$308,000 to \$371,000 through February, 2019 and are being paid by the Marina Enterprise Fund.	2,475,000
\$6,700,000 General Obligation Bonds Series 2008 (August, 2008) issued to defray the cost of constructing and equipping a new public safety building and renovating certain municipal facilities. Principal is payable annually and interest, at 4.14%, semi-annually. Annual debt service requirements range from approximately \$343,000 to \$540,000 through March, 2028 and are being paid 100% by the General Fund.	6,300,000
\$1,000,000 General Obligation Bond (April, 2009) issued to defray the cost to construct a new marina bulkhead and renovate certain related municipal facilities. Principal is payable annually and interest, at 4.39%, semi-annually. Annual debt service requirements range from approximately \$125,000 to \$165,000 through March, 2016 and are being paid by the Marina Enterprise Fund.	875,000
\$1,700,000 Bank Loan (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 being paid 100% by the Municipal Accommodations Fee Fund.	<u>1,168,204</u>
Total General Obligation Bonds and Bank Loan	<u>\$16,178,204</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

E. Long-Term Obligations (Continued)

	<u>Principal Outstanding at Year End</u>
<u>Capital Leases</u>	
The City entered into a \$693,483 capital lease on September 4, 2003 to finance the purchase of a ladder fire truck. Annual payments of \$82,113, including interest at 3.97%, are due each September 4 th , through 2012.	\$ 228,000
The City entered into a \$471,000 capital lease on May 5, 2004 to finance the purchase of a mini pumper/ladder fire truck. Annual payments of \$55,210, including interest at 3.72%, are due each May 5 th , through 2013.	154,030
The City entered into an \$112,271 capital lease on July 29, 2005 to finance the purchase of a Mack sanitation truck. Annual payments of \$15,720, including interest at 3.38%, are due each July 29 th , through 2012.	44,142
The City entered into an \$115,000 capital lease on August 30, 2006 to finance the purchase of a Caterpillar wheel loader. Annual payments of \$16,559, including interest at 4.26%, are due each August 30 th , through 2013.	59,741
The City entered into a \$162,200 capital lease on November 1, 2007 to finance the purchase of a Mack sanitation truck. Annual payments of \$22,996, including interest at 3.77%, are due each November 1 st , through 2014.	103,039
The City entered into a \$342,155 capital lease on August 26, 2009 to finance the purchase of a pumper fire truck. Annual payments of \$40,383, including interest at 3.89%, are due each August 1 st , through 2018.	<u>301,772</u>
Total Capital Lease Obligations	<u>\$ 890,724</u>

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.

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

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, 2010.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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, 2010, the City had \$10,335,000 of bonded debt subject to the 8% limit of approximately \$17,000,000 available, resulting in an unused legal debt margin of approximately \$6,665,000.

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2010, 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	\$ 2,315,000	-	115,000	2,200,000	\$ 120,000
GOB - Series 2006	3,290,000	-	130,000	3,160,000	140,000
GOB - Series 2008	6,500,000	-	200,000	6,300,000	250,000
Total GOB Debt	12,105,000	-	445,000	11,660,000	510,000
Bank Loan - 06/08	1,438,238	-	270,034	1,168,204	278,567
Total GOB Debt and Bank Loan	13,543,238	-	715,034	12,828,204	788,567
Capital Leases:					
CL-07/02	48,578	-	48,578	-	-
CL-09/03	298,272	-	70,272	228,000	73,061
CL-05/04	201,735	-	47,705	154,030	49,480
CL-07/05	57,905	-	13,763	44,142	14,228
CL-08/06	73,183	-	13,442	59,741	14,014
CL-11/07	121,456	-	18,417	103,039	19,111
CL-08/09	-	342,155	40,383	301,772	28,644
Total Capital Leases	801,129	342,155	252,560	890,724	198,538
Accrued Compensated Absences	252,306	191,046	165,582	277,770	210,327
Total Governmental Activities	\$ 14,596,673	533,201	1,133,176	13,996,698	\$ 1,197,432
Business-Type Activities:					
GOB Debt:					
GOB - Series 1999	\$ 2,700,000	-	225,000	2,475,000	\$ 250,000
GOB - Series 2009	1,000,000	-	125,000	875,000	130,000
Total GOB Debt	\$ 3,700,000	-	350,000	3,350,000	\$ 380,000

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

E. Long-Term Obligations (Continued)

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

The City incurred interest of approximately \$557,000 and \$184,000 for its governmental and business-type activities debt, respectively.

Debt Service Requirements to Maturity

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

Year Ending June 30,	GOB and Bank Loan		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2011	\$ 788,567	501,919	198,538	42,923	\$ 1,531,947
2012	832,369	472,921	206,192	33,329	1,544,811
2013	856,450	442,233	214,144	25,630	1,538,457
2014	875,818	410,701	69,356	17,637	1,373,512
2015	610,000	378,498	55,529	9,333	1,053,360
2016-2020	3,530,000	1,502,243	146,965	15,400	5,194,608
2021-2025	3,735,000	758,144	-	-	4,493,144
2026-2028	1,600,000	121,718	-	-	1,721,718
Totals	\$ 12,828,204	4,588,377	890,724	144,252	\$ 18,451,557
<u>Business-Type Activities</u>					
2011	\$ 380,000	165,876	-	-	\$ 545,876
2012	385,000	147,292	-	-	532,292
2013	390,000	128,492	-	-	518,492
2014	425,000	109,470	-	-	534,470
2015	430,000	88,723	-	-	518,723
2016-2019	1,340,000	160,457	-	-	1,500,457
Totals	\$ 3,350,000	800,310	-	-	\$ 4,150,310

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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 were managed through an agreement with a third-party operator that expired September 30, 2009. Twenty-eight percent of net gross receipts (as defined) were remitted to the City monthly. The City entered into a new commercial lease agreement with the same operator for October 1, 2009 through September 20, 2014. The lease can be extended for two additional five year terms. The annual income is approximately \$150,000. The other leases of Marina facilities are noted below:

- Marina store rental-annual income of approximately \$90,000. The lease was renewed through January 31, 2015.
- Marina restaurant rental-annual income of approximately \$78,000. 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 \$20,000. 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, 2011.

Estimated future annual lease income for the long-term leases in effect as of June 30, 2010 are as follows:

Year Ending June 30,	Amount
2011	\$ 314,900
2012	248,200
2013	217,300
2014	217,300
2015	\$ 99,300

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all of these risks, the City is a member of the South Carolina Municipal Insurance Reserve Fund (“SCMIRF”), a public entity risk pool operating as a common risk management and insurance program for local governments for general risk. The City pays an annual premium for this coverage. For the year ended June 30, 2010, the City’s premium costs totaled approximately \$205,000. SCMIRF’s net assets from its most recently issued audited financial statements at December 31, 2009, totaled approximately \$25,402,000.

The City has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for worker’s compensation. The City pays an annual premium to SCMIT. In the year ended June 30, 2010, the City made premium payments totaling approximately \$94,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net assets from its most recently issued audited financial statements at December 31, 2009, totaled approximately \$34,484,000.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

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

Participation in Public Entity Risk Pool for Health Insurance

The City has also joined together with other local governments in the South Carolina Local Government Assurance Group (“SCLGAG”) to provide medical, dental and life insurance for its employees. This is also a public entity risk pool operating as a common risk management and insurance program. The SCLGAG reinsures through commercial insurance to cover large specific losses. In the year ended June 30, 2010, the City made premium payments totaling approximately \$735,000. Of this total, approximately \$643,000 represents expense to the City with the balance being paid by employees. The SCLGAG’s net assets from its most recently issued audited financial statements at June 30, 2010 were approximately \$6,873,000.

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

B. Pension Disclosures

South Carolina Retirement and Police Officers’ Retirement System

South Carolina Retirement and Police Officers’ Retirement System: City employees, except for fire and police department civil service personnel, participate in the South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan. City sworn police officers and firefighting personnel participate in the South Carolina Police Officers’ Retirement System (“SCPORS”), a cost-sharing multiple-employer defined benefit pension plan. Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plans’ provisions are established under Title 9 of the South Carolina Code of Law. Only the South Carolina State Budget and Control Board has authority to establish and amend the funding policy.

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

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

	SCRS Rates			SCPORS Rates		
	2008	2009	2010	2008	2009	2010
<u>Employer Rate</u>						
Retirement	9.06%	9.24%	9.24%	10.30%	10.65%	10.65%
Group Life Insurance Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	N/A	N/A	N/A	0.20%	0.20%	0.20%
	<u>9.21%</u>	<u>9.39%</u>	<u>9.39%</u>	<u>10.70%</u>	<u>11.05%</u>	<u>11.05%</u>
Employee Rate	<u>6.50%</u>	<u>6.50%</u>	<u>6.50%</u>	<u>6.50%</u>	<u>6.50%</u>	<u>6.50%</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

IV. OTHER INFORMATION (CONTINUED)

B. Pension Disclosures (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	% of Covered Payroll	Required	% Contributed	% of Covered Payroll
2010	\$ 155,217	100%	9.39%	\$ 242,378	100%	11.05%
2009	149,102	100%	9.39%	240,015	100%	11.05%
2008	\$ 134,596	100%	9.21%	\$ 217,670	100%	10.70%

C. Other Postemployment Benefits

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

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

D. Beach Restoration

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

The City is recognizing the funds received for this public-private jointly funded project as revenue as the expenditures are incurred (using the City’s contribution and grant and loan proceeds first before utilizing the private donations). The City still has a deferred/unearned liability in the financial statements of approximately \$1,248,000 related to private contributions. The construction phase of the project was substantially completed as of July 2008 with certain required post-project monitoring functions completed during 2009 and 2010. The monitoring phase, as required by the permitting agencies OCRM and the United States Army Corp of Engineers, will continue for several years.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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, 2010.

The City entered into a contract in February 2009 which runs through December 2011 for approximately \$352,000 for required testing for permit compliance and beach monitoring both within and outside the 2008 Beach Renourishment project area.

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. Subsequent Events

In July 2010, the City entered into a five year contract with a vendor for ditch maintenance on the island for approximately \$438,000.

In August 2010, the City purchased a garbage truck for \$165,667 through a municipal lease with a local bank. Annual payments extend through August 5, 2017 and are in advance in the amount of \$22,623. The annual interest rate is 2.61%.

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 BALANCES - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 4,235,340	4,235,340	4,288,115	\$ 52,775
Local Option Sales Tax	530,000	530,000	503,988	(26,012)
Intergovernmental	269,005	269,005	269,342	337
Licenses and Permits	2,222,150	2,222,150	2,226,694	4,544
Fines	100,000	100,000	121,492	21,492
Interest	23,500	23,500	9,817	(13,683)
Revenues From Use of Properties	248,606	248,606	290,253	41,647
Other Revenues	228,300	228,300	239,201	10,901
TOTAL REVENUES ALL SOURCES	7,856,901	7,856,901	7,948,902	92,001
EXPENDITURES				
General Government:				
Mayor and Council	55,739	55,739	34,650	(21,089)
Administration	608,923	608,923	574,444	(34,479)
Judicial and Legal	150,435	150,435	159,486	9,051
Public Safety:				
Police Department	2,083,872	2,083,872	1,949,303	(134,569)
Fire Department	2,187,233	2,187,233	2,212,618	25,385
Building, Planning, and Engineering	325,656	325,656	301,365	(24,291)
Public Works	1,126,991	1,126,991	1,009,194	(117,797)
Culture and Recreation:				
Recreation Department	688,228	688,228	657,137	(31,091)
Recreation Instruction	88,750	88,750	74,209	(14,541)
Non-Departmental:				
Parking Meters	42,724	42,724	30,253	(12,471)
Debt Service:				
Principal	314,064	314,064	321,000	6,936
Interest	318,410	318,410	339,858	21,448
TOTAL EXPENDITURES	7,991,025	7,991,025	7,663,517	(327,508)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(134,124)	(134,124)	285,385	419,509
OTHER FINANCING SOURCES (USES)				
Transfers In	211,081	211,081	220,989	9,908
Transfers Out	(76,957)	(76,957)	(454,833)	(377,876)
TOTAL OTHER FINANCING SOURCES (USES)	134,124	134,124	(233,844)	(367,968)
NET CHANGES IN FUND BALANCES	-	-	51,541	51,541
FUND BALANCES, Beginning of Year	2,485,202	2,485,202	2,485,202	-
FUND BALANCES, End of Year	\$ 2,485,202	2,485,202	2,536,743	\$ 51,541

Note: The above schedule reflects the sale of capital assets of \$26,216 in other revenues, but is reflected as an other financing source in the statement of revenues, expenditures, and changes in fund balances - governmental funds.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Fee Revenue	\$ 499,000	499,000	590,434	\$ 91,434
County Accommodations Fee Revenue	97,500	97,500	114,459	16,959
Interest	11,000	11,000	4,541	(6,459)
TOTAL REVENUES	607,500	607,500	709,434	101,934
EXPENDITURES				
Current:				
General Government	29,260	29,260	26,178	(3,082)
Public Works	104,300	104,300	82,153	(22,147)
Non-Departmental				-
Public Restrooms	56,124	56,124	54,291	(1,833)
Capital Outlay	47,000	47,000	62,175	15,175
Debt Service:				
Principal	387,292	387,292	114,504	(272,788)
Interest	86,990	86,990	41,543	(45,447)
TOTAL EXPENDITURES	710,966	710,966	380,844	(330,122)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(103,466)	(103,466)	328,590	432,056
OTHER FINANCING SOURCES (USES)				
Transfers Out	(94,809)	(94,809)	(403,578)	(308,769)
TOTAL OTHER FINANCING SOURCES (USES)	(94,809)	(94,809)	(403,578)	(308,769)
NET CHANGES IN FUND BALANCES	(198,275)	(198,275)	(74,988)	123,287
FUND BALANCES, Beginning of Year	1,002,732	1,002,732	1,002,732	-
FUND BALANCES, End of Year	\$ 804,457	804,457	927,744	\$ 123,287

Note: The City's original and final budget reflected the use of fund balance of \$198,275 for 2010.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Tax Revenue	\$ 845,000	845,000	987,614	\$ 142,614
Interest	11,700	11,700	4,548	(7,152)
TOTAL REVENUES	856,700	856,700	992,162	135,462
EXPENDITURES				
Current:				
General Government	369,400	369,400	369,420	20
Public Safety	3,125	3,125	8,040	4,915
Public Works	13,675	13,675	9,036	(4,639)
Culture and Recreation:				
Recreation Department	35,000	35,000	23,799	(11,201)
Public Restrooms	156,183	156,183	140,050	(16,133)
Capital Outlay	49,000	49,000	39,552	(9,448)
Debt Service:				
Principal	71,258	71,258	68,504	(2,754)
Interest	8,671	8,671	8,670	(1)
TOTAL EXPENDITURES	706,312	706,312	667,071	(39,241)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	150,388	150,388	325,091	174,703
OTHER FINANCING SOURCES (USES)				
Transfers Out	(304,982)	(304,982)	(254,942)	50,040
Sale of Capital Assets	2,750	2,750	4,953	2,203
TOTAL OTHER FINANCING SOURCES (USES)	(302,232)	(302,232)	(249,989)	52,243
NET CHANGES IN FUND BALANCES	(151,844)	(151,844)	75,102	226,946
FUND BALANCES, Beginning of Year	953,105	953,105	953,105	-
FUND BALANCES, End of Year	\$ 801,261	801,261	1,028,207	\$ 226,946

Note: The City's original and final budget reflected the use of fund balance of \$151,844 for 2010.

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 BALANCES - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Interest	\$ 27,000	27,000	14,996	\$ (12,004)
TOTAL REVENUES	27,000	27,000	14,996	(12,004)
NET CHANGES IN FUND BALANCES	27,000	27,000	14,996	(12,004)
FUND BALANCES, Beginning of Year	1,812,683	1,812,683	1,812,683	-
FUND BALANCES, End of Year	\$ 1,839,683	1,839,683	1,827,679	\$ (12,004)

Note: The City's original and final budget reflected an expected surplus of \$27,000 for 2010.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
HOSPITALITY TAX FUND

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

YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Hospitality Taxes	\$ 409,000	409,000	467,795	\$ 58,795
Interest	5,400	5,400	2,402	(2,998)
TOTAL REVENUES	414,400	414,400	470,197	55,797
EXPENDITURES				
Current:				
Building, Planning, and Engineering	1,410	1,410	1,166	(244)
Public Works	69,472	69,472	58,488	(10,984)
Capital Outlay	20,600	20,600	17,669	(2,931)
Debt Service:				
Principal	78,000	78,000	78,000	-
Interest	-	-	39,381	39,381
TOTAL EXPENDITURES	169,482	169,482	194,704	25,222
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	244,918	244,918	275,493	30,575
OTHER FINANCING SOURCES (USES)				
Transfers Out	(320,253)	(320,253)	(259,071)	61,182
TOTAL OTHER FINANCING SOURCES (USES)	(320,253)	(320,253)	(259,071)	61,182
NET CHANGES IN FUND BALANCES	(75,335)	(75,335)	16,422	91,757
FUND BALANCES, Beginning of Year	631,219	631,219	631,219	-
FUND BALANCES, End of Year	\$ 555,884	555,884	647,641	\$ 91,757

Note: The City's original and final budget reflected the use of fund balance of \$75,335 for 2010.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
BEACH RESTORATION FUND

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

YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Contributions	\$ -	-	132,184	\$ 132,184
Interest	10,000	10,000	18,550	8,550
TOTAL REVENUES	10,000	10,000	150,734	140,734
EXPENDITURES				
Current:				
General Government	149,131	149,131	96,392	(52,739)
Non-Departmental	-	-	53,981	53,981
Debt Service:				
Principal	-	-	270,034	270,034
Interest	-	-	45,448	45,448
TOTAL EXPENDITURES	149,131	149,131	465,855	316,724
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(139,131)	(139,131)	(315,121)	(175,990)
OTHER FINANCING SOURCES (USES)				
Transfers In	50,000	50,000	315,482	265,482
Transfers Out	-	-	(100,371)	(100,371)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	215,111	165,111
NET CHANGES IN FUND BALANCES	(89,131)	(89,131)	(100,010)	(10,879)
FUND BALANCES, Beginning of Year	100,010	100,010	100,010	-
FUND BALANCES, End of Year	\$ 10,879	10,879	-	\$ (10,879)

Note: The City's original and final budget reflected the use of fund balance of \$89,131 for 2010.

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.

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

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

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

BEACH MAINTENANCE FUND – To account for monies set aside to monitor and maintain the beach, including addressing beach nourishment issues.



CITY OF ISLE OF PALMS, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2010

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
ASSETS		
Cash and Cash Equivalents	\$ -	-
Cash and Cash Equivalents - Restricted	11,555	16,356
Investments - Restricted	-	-
Due from other funds	-	-
TOTAL ASSETS	11,555	16,356
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	-	-
Due to other funds	-	-
TOTAL LIABILITIES	-	-
FUND BALANCES		
Unreserved	11,555	16,356
TOTAL FUND BALANCES	11,555	16,356
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,555	16,356

VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	BEACH MAINTENANCE FUND	TOTAL NON-MAJOR FUNDS
-	46,148	-	-	\$ 46,148
114,450	-	65,844	119,496	327,701
-	-	18,536	-	18,536
1,661	-	-	-	1,661
116,111	46,148	84,380	119,496	394,046
1,301	-	-	3,565	4,866
7,332	-	-	-	7,332
8,633	-	-	3,565	12,198
107,478	46,148	84,380	115,931	381,848
107,478	46,148	84,380	115,931	381,848
116,111	46,148	84,380	119,496	\$ 394,046

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, 2010

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
REVENUES		
Fines and Forfeits	\$ -	-
Interest	39	60
Other	-	-
TOTAL REVENUES	39	60
EXPENDITURES		
Current:		
General Government	-	-
Public Safety	(89)	560
Culture and Recreation	-	-
Capital Outlay	-	-
TOTAL EXPENDITURES	(89)	560
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	128	(500)
OTHER FINANCING SOURCES (USES)		
Transfers In	-	-
Transfers (Out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	128	(500)
FUND BALANCES, Beginning of Year	11,427	16,856
FUND BALANCES, End of Year	\$ 11,555	16,356

VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	BEACH MAINTENANCE FUND	TOTAL NON-MAJOR FUNDS
12,757	-	-	-	\$ 12,757
497	170	1,296	123	2,185
-	240	3,700	-	3,940
13,254	410	4,996	123	18,882
-	1,995	-	34,563	36,558
4,682	-	-	-	5,153
-	-	61	-	61
10,604	3,537	-	-	14,141
15,286	5,532	61	34,563	55,913
(2,032)	(5,122)	4,935	(34,440)	(37,031)
-	-	-	150,371	150,371
(27,764)	-	-	-	(27,764)
(27,764)	-	-	150,371	122,607
(29,796)	(5,122)	4,935	115,931	85,576
137,274	51,270	79,445	-	296,272
107,478	46,148	84,380	115,931	\$ 381,848

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	2010		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
PROPERTY TAXES	\$ 4,235,340	4,288,115	\$ 52,775
LOCAL OPTION SALES TAX	530,000	503,988	(26,012)
INTERGOVERNMENTAL			
State Aid to Subdivisions	125,226	119,734	(5,492)
State Accommodations Tax Administrative Fee	69,461	76,980	7,519
State Shared Funds - Alcohol	36,000	34,300	(1,700)
Intergovernmental Transfers	38,318	38,328	10
Total Intergovernmental	269,005	269,342	337
LICENSES AND PERMITS			
Business Licenses	620,000	553,913	(66,087)
Residential Rental Licenses	430,000	458,828	28,828
Insurance Licenses	643,000	629,993	(13,007)
Public Utilities	378,000	413,137	35,137
Building Permits	108,000	116,338	8,338
Telecommunication Licenses	41,000	49,926	8,926
Alarm Permits	1,500	1,335	(165)
Animal Licenses	650	3,224	2,574
Total Licenses and Permits	2,222,150	2,226,694	4,544
FINES AND FORFEITS	100,000	121,492	21,492
INTEREST			
Interest Income	22,000	9,326	(12,674)
Court Generated Interest	1,500	491	(1,009)
Total Interest	23,500	9,817	(13,683)
REVENUES FROM USE OF PROPERTIES			
Parking Lot Revenue	79,606	95,279	15,673
Parking Meter Revenue	169,000	194,974	25,974
Total Revenues From Use of Properties	248,606	290,253	41,647
OTHER REVENUES			
Recreation Program Income	95,000	94,900	(100)
Recreation Instructors Income	\$ 85,000	107,943	\$ 22,943

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	2010		
	FINAL BUDGET	ACTUAL	VARIANCE
OTHER REVENUES (CONTINUED)			
Sales of Assets	\$ 30,750	26,216	\$ (4,534)
Miscellaneous	3,750	1,184	(2,566)
Cart Purchase Revenue	5,625	4,500	(1,125)
Boat Ramp Fees	1,000	1,100	100
Recycling Revenue	7,000	3,341	(3,659)
Kennel Fees	175	17	(158)
Total Other Revenues	228,300	239,201	10,901
TOTAL REVENUES	7,856,901	7,948,902	92,001
EXPENDITURES			
GENERAL GOVERNMENT			
<u>Mayor and Council:</u>			
Salaries	17,000	16,454	(546)
Payroll Taxes	1,301	1,259	(42)
Retirement	141	-	(141)
Workers Compensation	479	-	(479)
Print and Office Supplies	-	234	234
Meetings and Seminars	10,000	7,311	(2,689)
Vehicle, Fuel, and Oil	1,200	132	(1,068)
Telephone	3,600	1,537	(2,063)
Non-Capital Tools and Equipment	8,500	985	(7,515)
Insurance	3,018	172	(2,846)
Miscellaneous and Contingency	6,000	3,695	(2,305)
Citizens and Employee Services	4,500	2,871	(1,629)
Total Mayor and Council	55,739	34,650	(21,089)
ADMINISTRATION			
Salaries - Employees	303,332	316,630	13,298
Payroll Taxes	23,205	23,138	(67)
Retirement	28,483	28,582	99
Group Health Insurance	33,720	33,156	(564)
Workers Compensation	9,715	5,092	(4,623)
Print and Office Supplies	13,800	9,411	(4,389)
Membership and Dues	4,435	3,813	(622)
Membership and Seminars	4,000	4,575	575
Vehicle, Fuel, and Oil	3,700	2,329	(1,371)
Electric and Gas	7,950	6,832	(1,118)
Telephone and Cable	\$ 12,908	8,758	\$ (4,150)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	2010		
	FINAL BUDGET	ACTUAL	VARIANCE
ADMINISTRATION (CONTINUED)			
Water and Sewer	\$ 2,700	3,736	\$ 1,036
Noncapital Tools and Equipment	1,250	936	(314)
Maintenance and Service Contracts	28,766	22,020	(6,746)
Machine and Equipment Repair	1,500	451	(1,049)
Cleaning and Sanitary Supplies	3,700	2,200	(1,500)
Storm Preparation & Cleanup	3,000	2,125	(875)
Medical and Lab	600	599	(1)
LTD Insurance	1,365	1,422	57
Advertising	20,000	6,050	(13,950)
Insurance	25,017	17,189	(7,828)
Rent and Leases	8,360	11,274	2,914
Employee Training	10,500	15,684	5,184
Professional Services	31,567	27,817	(3,750)
Election Expenses	5,000	2,434	(2,566)
Miscellaneous	20,350	18,191	(2,159)
Total Administration	<u>608,923</u>	<u>574,444</u>	<u>(34,479)</u>
JUDICIAL AND LEGAL			
Salaries - Employees	50,407	55,229	4,822
Salaries - Part-time	21,210	21,058	(152)
Payroll Taxes	5,479	5,629	150
Retirement	6,725	7,163	438
Group Health Insurance	6,577	6,554	(23)
Workers Compensation	1,987	1,334	(653)
Print and Office Supplies	5,000	2,935	(2,065)
Bank Service Charges	700	-	(700)
Membership and Dues	300	395	95
Membership and Seminars	1,000	657	(343)
Telephone and Cable	3,900	3,845	(55)
Maintenance and Service Contracts	4,050	4,340	290
LTD Insurance	227	250	23
Insurance	573	658	85
Employee Training	3,500	2,882	(618)
Professional Services	38,000	45,851	7,851
Non-capital Tools & Equipment	200	200	-
Miscellaneous and Contingency	600	506	(94)
Total Judicial and Legal	<u>150,435</u>	<u>159,486</u>	<u>9,051</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 815,097</u>	<u>768,580</u>	<u>\$ (46,517)</u>

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	2010		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY			
<u>Police Department:</u>			
Salaries - Employees	\$ 1,233,667	1,195,938	\$ (37,729)
Payroll Taxes	94,376	89,420	(4,956)
Retirement	130,475	128,015	(2,460)
Group Health Insurance	221,990	216,256	(5,734)
Workers Compensation	63,548	30,602	(32,946)
Unemployment Compensation	-	1,905	1,905
Print and Office Supplies	15,420	15,450	30
Membership and Dues	1,295	945	(350)
Membership and Seminars	3,000	833	(2,167)
Vehicle, Fuel, and Oil	80,912	57,332	(23,580)
Vehicle Maintenance	27,000	26,237	(763)
Electric and Gas	8,760	4,222	(4,538)
Telephone and Cable	36,984	34,661	(2,323)
Water and Sewer	4,840	5,509	669
Noncapital Tools and Equipment	1,200	1,155	(45)
Maintenance and Service Contracts	29,233	26,293	(2,940)
Machine and Equipment Repair	6,000	4,136	(1,864)
Uniforms	18,015	16,707	(1,308)
Cleaning and Sanitary Supplies	1,200	2,043	843
Medical and Lab	5,500	2,583	(2,917)
LTD Insurance	5,552	5,324	(228)
Insurance	71,325	62,455	(8,870)
Rent and Leases	2,600	2,047	(553)
Employee Training	8,980	9,356	376
Professional Services	7,250	4,466	(2,784)
Miscellaneous and Contingency	3,750	4,301	551
Canine Kennel Expenses	1,000	1,112	112
Total Police Department	2,083,872	1,949,303	(134,569)
<u>Fire Department:</u>			
Salaries - Employees	1,273,942	1,322,548	48,606
Salaries - Part Time	46,876	56,823	9,947
Payroll Taxes	101,043	102,631	1,588
Retirement	145,528	152,309	6,781
Group Health Insurance	221,151	233,708	12,557
Workers Compensation	65,062	33,032	(32,030)
Unemployment Compensation	-	2,942	2,942
Print and Office Supplies	8,000	6,066	(1,934)
Membership and Dues	2,000	1,455	(545)
Membership and Seminars	\$ 3,000	620	\$ (2,380)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	2010		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY (CONTINUED)			
<u>Fire Department: (Continued)</u>			
Vehicle, Fuel, and Oil	\$ 25,252	16,044	\$ (9,208)
Vehicle Maintenance	40,000	46,628	6,628
Electric and gas	17,411	18,137	726
Telephone and Cable	32,416	38,196	5,780
Water and Sewer	9,620	10,041	421
Noncapital Tools and Equipment	6,000	4,105	(1,895)
Maintenance and Service Contracts	21,465	17,232	(4,233)
Machine and Service Repairs	9,000	10,555	1,555
Uniforms	25,000	21,174	(3,826)
Cleaning and Sanitary Supplies	5,000	4,002	(998)
Medical and Lab	17,000	13,185	(3,815)
LTD Insurance	5,783	5,934	151
Insurance	69,684	66,926	(2,758)
Rent and Leases	2,500	2,508	8
Employee Training	20,000	5,807	(14,193)
Professional Services	3,500	2,407	(1,093)
Temporary Labor	-	7,371	7,371
Miscellaneous and Contingency	7,000	6,237	(763)
Volunteer Point Allocation	4,000	3,995	(5)
Total Fire Department	2,187,233	2,212,618	25,385
TOTAL PUBLIC SAFETY	4,271,105	4,161,921	(109,184)
BUILDING, PLANNING, AND ENGINEERING			
Salaries - Employees	188,033	187,045	(988)
Payroll Taxes	14,385	13,517	(868)
Retirement	17,656	17,589	(67)
Group Health Insurance	32,384	33,645	1,261
Workers Compensation	5,981	2,867	(3,114)
Print and Office Supplies	10,500	10,330	(170)
Membership and Dues	1,000	1,379	379
Membership and Seminars	1,000	523	(477)
Vehicle, Fuel, and Oil	2,651	2,986	335
Vehicle Maintenance	1,000	937	(63)
Electric and Gas	3,750	2,212	(1,538)
Telephone and Cable	8,200	5,540	(2,660)
Water and Sewer	1,320	897	(423)
Non-Capital Tools & Equipment	500	-	(500)
Maintenance and Service Contracts	\$ 4,940	4,307	\$ (633)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	2010		
	FINAL BUDGET	ACTUAL	VARIANCE
BUILDING, PLANNING, AND ENGINEERING (CONTINUED)			
Machine and Equipment Repair	\$ 500	195	\$ (305)
Uniforms	750	370	(380)
Cleaning and Sanitary Supplies	500	323	(177)
Medical and Lab	150	172	22
LTD Insurance	846	845	(1)
Insurance	10,180	4,413	(5,767)
Rent and Leases	3,180	2,078	(1,102)
Employee Training	2,500	507	(1,993)
Professional Services	13,000	8,093	(4,907)
Miscellaneous and Contingency	750	595	(155)
TOTAL BUILDING, PLANNING AND ENGINEERING	325,656	301,365	(24,291)
PUBLIC WORKS			
Salaries - Employees	441,105	402,569	(38,536)
Payroll Taxes	33,745	30,076	(3,669)
Retirement	41,420	37,854	(3,566)
Group Health Insurance	77,521	74,606	(2,915)
Workers Compensation	30,291	15,608	(14,683)
Unemployment Compensation	-	16	16
Print and Office Supplies	1,000	1,016	16
Membership and Dues	400	335	(65)
Meetings and Seminars	500	152	(348)
Vehicle, Fuel, and Oil	76,645	46,707	(29,938)
Vehicle Maintenance	94,338	72,201	(22,137)
Electric and Gas	67,000	68,387	1,387
Telephone and Cable	9,605	7,586	(2,019)
Water and Sewer	2,400	2,519	119
Noncapital Tools and Equipment	2,000	1,463	(537)
Maintenance and Service Contracts	5,608	1,824	(3,784)
Machine and Equipment Repair	4,000	3,406	(594)
Uniforms	6,000	5,907	(93)
Cleaning and Sanitary Supplies	2,000	1,955	(45)
Medical and Lab	3,000	3,214	214
LTD Insurance	1,985	1,798	(187)
Street Signs	4,000	2,156	(1,844)
Insurance	34,288	26,887	(7,401)
Rent and Leases	500	-	(500)
Employee Training	1,900	-	(1,900)
Professional Services	\$ 1,000	850	\$ (150)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	2010		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS (CONTINUED)			
Temporary Labor	\$ 146,890	152,712	\$ 5,822
Contracted Services	30,000	39,062	9,062
Miscellaneous and Contingency	1,250	390	(860)
Garbage Cart - Procurement	6,600	7,938	1,338
TOTAL PUBLIC WORKS	1,126,991	1,009,194	(117,797)
CULTURE AND RECREATION			
<u>Recreation Department:</u>			
Salaries - Employees	280,586	280,071	(515)
Salaries - Part Time	143,464	132,898	(10,566)
Payroll Taxes	32,440	31,572	(868)
Retirement	26,347	28,573	2,226
Group Health Insurance	48,559	44,733	(3,826)
Workers Compensation	10,107	5,030	(5,077)
Unemployment Compensation	-	10	10
Print and Office Supplies	9,500	8,406	(1,094)
Membership and Dues	1,600	1,280	(320)
Membership and Seminars	2,000	1,568	(432)
Vehicle, Fuel, and Oil	4,419	2,955	(1,464)
Vehicle Maintenance	1,200	1,105	(95)
Electric and Gas	36,500	34,929	(1,571)
Telephone and Cable	9,200	10,636	1,436
Water and Sewer	4,500	4,588	88
Noncapital Tools and Equipment	2,000	616	(1,384)
Maintenance and Service Contracts	21,800	23,668	1,868
Machine and Equipment Repair	2,500	2,203	(297)
Uniforms	1,950	1,568	(382)
Cleaning and Sanitary Supplies	3,550	3,538	(12)
Medical and Lab	1,000	686	(314)
LTD Insurance	1,263	1,235	(28)
Insurance	31,943	26,594	(5,349)
Rent and Leases	4,000	3,075	(925)
Employee Training	3,300	1,872	(1,428)
Miscellaneous and Contingency	4,500	3,728	(772)
Total Recreation Department	\$ 688,228	657,137	\$ (31,091)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	2010		
	FINAL BUDGET	ACTUAL	VARIANCE
CULTURE AND RECREATION (CONTINUED)			
<u>Recreation Instruction:</u>			
Four Year Old Play Group	\$ 750	560	\$ (190)
Gymnastics	2,500	2,163	(337)
Special Activities	19,500	14,969	(4,531)
Day Camp	12,000	11,309	(691)
Karate	2,000	1,042	(958)
Aerobics	8,000	3,670	(4,330)
Adult Sports	14,000	12,161	(1,839)
Youth Sports	27,000	26,660	(340)
Keenagers	3,000	1,675	(1,325)
Total Recreation Instruction	<u>88,750</u>	<u>74,209</u>	<u>(14,541)</u>
TOTAL CULTURE AND RECREATION	<u>776,978</u>	<u>731,346</u>	<u>(45,632)</u>
NON-DEPARTMENTAL			
Parking Meters			
Salaries - Part Time	38,480	28,165	(10,315)
Payroll Taxes	2,944	2,088	(856)
Workers Compensation	1,300	-	(1,300)
Total Parking Meters	<u>42,724</u>	<u>30,253</u>	<u>(12,471)</u>
TOTAL NON-DEPARTMENTAL	<u>42,724</u>	<u>30,253</u>	<u>(12,471)</u>
DEBT SERVICE			
Principal	314,064	321,000	6,936
Interest	318,410	339,858	21,448
TOTAL DEBT SERVICE	<u>632,474</u>	<u>660,858</u>	<u>28,384</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 7,991,025</u>	<u>7,663,517</u>	<u>\$ (327,508)</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY TYPE - ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2010

	GENERAL GOVERNMENT		
	MAYOR AND COUNCIL	ADMIN- ISTRATION	JUDICIAL AND LEGAL
Salaries - Supervisors	\$ 16,454	-	-
Salaries - Employees	-	316,630	55,229
Salaries - Part Time	-	-	21,058
Payroll Taxes	1,259	23,138	5,629
Retirement	-	28,582	7,163
Group Health Insurance	-	33,156	6,554
Workers Compensation	-	5,092	1,334
Unemployment Compensation	-	-	-
Print and Office Supplies	234	9,411	2,935
Membership and Dues	-	3,813	395
Meeting and Seminars	7,311	4,575	657
Vehicle, Fuel, and Oil	132	2,329	-
Vehicle Maintenance	-	-	-
Electric and gas	-	6,832	-
Telephone and Cable	1,537	8,758	3,845
Water and Sewer	-	3,736	-
Noncapital Tools and Equipment	985	936	200
Maintenance and Service Contract	-	22,020	4,340
Machine and Equipment Repair	-	451	-
Uniforms	-	-	-
Cleaning and Sanitary Supplies	-	2,200	-
Storm Preparation & Cleanup	-	2,125	-
Medical and Lab	-	599	-
LTD Insurance	-	1,422	250
Advertising	-	6,050	-
Street Signs	-	-	-
Insurance	172	17,189	658
Advertising	-	11,274	-
Employee Training	-	15,684	2,882
Professional Services	-	27,817	45,851
Temporary Labor	-	-	-
Contracted Services	-	-	-
Miscellaneous and Contingency	3,695	18,191	506
Volunteer Point Allocation	-	-	-
Citizens and Employee Services	2,871	-	-
Canine Kennel Expenses	-	-	-
Recreation Instruction Expense	-	-	-
Garbage Cart Procurement	-	-	-
Election Expenses	-	2,434	-
TOTAL DEPARTMENTAL EXPENDITURES	\$ 34,650	574,444	159,486

PUBLIC SAFETY		BUILDING,	PUBLIC	CULTURE	NON DEPART-	2010
POLICE	FIRE	PLANNING AND	WORKS	AND	MENTAL	
DEPARTMENT	DEPARTMENT	ENGINEERING	DEPARTMENT	RECREATION	PARKING	TOTAL
					METERS	
-	-	-	-	-	-	\$ 16,454
1,195,938	1,322,548	187,045	402,569	280,071	-	3,760,030
-	56,823	-	-	132,898	28,165	238,944
89,420	102,631	13,517	30,076	31,572	2,088	299,330
128,015	152,309	17,589	37,854	28,573	-	400,085
216,256	233,708	33,645	74,606	44,733	-	642,658
30,602	33,032	2,867	15,608	5,030	-	93,565
1,905	2,942	-	16	10	-	4,873
15,450	6,066	10,330	1,016	8,406	-	53,848
945	1,455	1,379	335	1,280	-	9,602
833	620	523	152	1,568	-	16,239
57,332	16,044	2,986	46,707	2,955	-	128,485
26,237	46,628	937	72,201	1,105	-	147,108
4,222	18,137	2,212	68,387	34,929	-	134,719
34,661	38,196	5,540	7,586	10,636	-	110,759
5,509	10,041	897	2,519	4,588	-	27,290
1,155	4,105	-	1,463	616	-	9,460
26,293	17,232	4,307	1,824	23,668	-	99,684
4,136	10,555	195	3,406	2,203	-	20,946
16,707	21,174	370	5,907	1,568	-	45,726
2,043	-	323	1,955	3,538	-	10,059
-	4,002	-	-	-	-	6,127
2,583	13,185	172	3,214	686	-	20,439
5,324	5,934	845	1,798	1,235	-	16,808
-	-	-	-	-	-	6,050
-	-	-	2,156	-	-	2,156
62,455	66,926	4,413	26,887	26,594	-	205,294
2,047	2,508	2,078	-	3,075	-	20,982
9,356	5,807	507	-	1,872	-	36,108
4,466	2,407	8,093	850	-	-	89,484
-	7,371	-	152,712	-	-	160,083
-	-	-	39,062	-	-	39,062
4,301	6,237	595	390	3,728	-	37,643
-	3,995	-	-	-	-	3,995
-	-	-	-	-	-	2,871
1,112	-	-	-	-	-	1,112
-	-	-	-	74,209	-	74,209
-	-	-	7,938	-	-	7,938
-	-	-	-	-	-	2,434
1,949,303	2,212,618	301,365	1,009,194	731,346	30,253	7,002,659
						660,858
						\$ 7,663,517

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2010

Court Fines

Court Fines Collected	\$ 121,492
Court Fines Retained by the City	(121,492)
Total Court Fines Remitted to State Treasurer	<u><u>-</u></u>

Court Assessments

Court Assessments Collected	56,298
Total Court Assessments Remitted to the State Treasurer	<u><u>56,298</u></u>

Court Surcharges

Court Surcharges Collected	29,222
Total Court Surcharges Remitted to the State Treasurer	<u><u>29,222</u></u>

Court Pullouts

Court Pullouts Collected	983
Total Court Pullouts Remitted to the State Treasurer	<u><u>983</u></u>

Victims' Assistance Fund

Funds Available for Carryforward, Beginning of Year	137,274
Court Assessments and Surcharges Allocated to Victim Assistance Fund	12,757
Interest Earned	497
Victims' Assistance Fund Expenditures	(15,286)
Victims' Assistance Transfers Out	(27,764)
Funds Available for Carryforward, End of Year	<u><u>\$ 107,478</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, 2010, which collectively comprise the City’s basic financial statements and have issued our report thereon dated September 28, 2010. 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 opinion on the 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010-1, that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s 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*.

The City’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City’s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor, 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
September 28, 2010

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2010

2010-1: FORMALIZE AND DOCUMENT VARIOUS POLICIES AND PROCEDURES

Condition: The following policies and procedures are not required by law, but are matters important for the City to consider as they are not currently formally documented at the City in writing:

- Financial policies and procedures manual for all significant accounting and financial reporting processes and functions.
- Fraud risk management program (risk is being assessed informally).

Criteria: Formal written policies and procedures should be prepared for all of the above conditions in order to:

- Provide an easier transition for new employees.
- Ensure employees, management, and Council members have a proper understanding of the financial policies and procedures.
- Ensure actual procedures are operating as planned.
- Assist management and those charged with governance in ensuring that the operating and financial risks due to fraud and error are appropriately evaluated and assessed and timely addressed.

Context: This was noted during our review of the City’s activities and internal controls for the current and prior years and based on discussions with the City.

Effect: Current informal policies may result in areas being overlooked and not assessed or evaluated appropriately, which can increase the risk of error and fraud. As the City works toward continually improving a good internal control environment, it is important to not only consider putting these policies and procedures in writing, but to also ensure they are updated regularly.

Cause: Limited staffing.

Recommendation: Due to the importance of maintaining internal control over the accounting and financial reporting processes and to ensure that the risks due to fraud and error are appropriately evaluated, assessed, and addressed, the City should consider formally documenting the above policies and procedures. The fraud risk management program should include a regular evaluation and update once the initial assessment is completed, as this program should be on-going.

Response: The City’s staff understands the importance and value of a detailed financial procedures manual. Such a document would aid in the training of new staff and allow for efficient cross training among existing staff. Progress has been made on a comprehensive policies and procedures manual and additional sections should be added in the coming months.