

CITY OF ISLE OF PALMS, SOUTH CAROLINA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011



CITY OF ISLE OF PALMS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2011

INTRODUCTORY SECTION

	<u>Page Number</u>
Table of Contents	i
List of Elected and Appointed Officials	iii

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	14
Statement of Activities	15
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Assets - Proprietary Fund	23
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	24
Statement of Cash Flows - Proprietary Fund	25
Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund	26
<i>Notes to the Basic Financial Statements</i>	27

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2011

FINANCIAL SECTION (CONTINUED)

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
<u>Budgetary Comparison Schedules:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - General Fund	52
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - Municipal Accommodations Fee Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - State Accommodations Tax Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - Hospitality Tax Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - Beach Restoration Fund	56
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Non-Major Governmental Funds	60
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	62
<u>General Fund</u>	
Schedule of Detailed Revenues and Expenditures - Budget and Actual	64
Schedule of Expenditures by Type - Actual	72
Schedule of Fines, Assessments, and Surcharges	74
<u>COMPLIANCE SECTION</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 <i>Government Auditing Standards</i>	75

CITY OF ISLE OF PALMS, SOUTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
YEAR ENDED JUNE 30, 2011

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, 2011, 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, 2011, 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 October 4, 2011 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
October 4, 2011

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

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, 2011. 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 \$20,766,000 (*net assets*). Of this amount, approximately \$16,396,000 and \$4,370,000 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 \$5,913,000 for its governmental activities and approximately \$1,199,000 for its business-type activities.
- The City's total revenues of approximately \$11,813,000 exceeded total expenses of approximately \$10,486,000 resulting in an increase of approximately \$1,327,000 in net assets.
- At the close of fiscal year 2011, the City's governmental funds reported combined ending fund balances of approximately \$9,996,000, an increase of approximately \$26,000 over the prior year's fund balance. Approximately 22% of the total fund balance, or approximately \$2,248,000, is available for spending at the City's discretion (*unassigned fund balance*).
- At the close of fiscal year 2011, unassigned fund balance for the General Fund was approximately \$2,248,000, or 29% of total General Fund expenditures for the year ended June 30, 2011.
- The City's total capital assets decreased by approximately \$67,000 (.3%) during the current fiscal year, primarily due to governmental activities capital asset additions of approximately \$1,322,000 being offset by depreciation expense of approximately \$1,255,000 and \$128,000 for governmental and business-type activities, respectively. Capital asset additions were primarily related to the completion of the City Hall renovations, purchase of numerous vehicles and equipment, and an ongoing drainage project at 53rd – 57th Avenues.
- The City's total debt (including capital leases) decreased by approximately \$1,224,000 (7%) during the current fiscal year due to normally scheduled debt service payments, partially offset by a new capital lease for approximately \$166,000 (which was for a new Mack refuse truck).
- The City continues to hold an "A1" bond rating from Moody's Investors Service and an "AA" rating from Standard & Poor's.
- The City implemented Governmental Accounting Standards Board Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB #54") in the current year. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The implementation of this statement had no impact on the total fund balance of the City but it did require that certain beginning fund balances of the City be reclassified.. The beginning fund balance of the Disaster Recovery Fund and the Beach Maintenance Fund ("Funds") of approximately \$1,828,000 and \$116,000, respectively, were reclassified and included in the General Fund – as these Funds no longer qualify as Special Revenue funds under GASB #54.

OVERVIEW OF FINANCIAL STATEMENTS

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

Basic Financial Statements

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

Government-Wide Basic Financial Statements. The basic financial statements include two statements that present different views of the City. These are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the City's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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 eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, Municipal Accommodations Fee Fund, State Accommodations Tax Fund, Hospitality Tax Fund and Beach Restoration Fund – since they are considered major funds. Information from the other five (5) governmental funds is combined into aggregated presentations – non-major governmental funds. Individual fund data for each of these non-major governmental funds are provided in the form of combining schedules elsewhere in this report. The 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, 2011

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, 2011

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 as of June 30, 2011 compared to June 30, 2010:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and Other Assets	\$ 12,341,466	12,397,217	1,358,422	1,251,533	13,699,888	\$ 13,648,750
Capital Assets, Net	19,588,776	19,526,974	6,079,254	6,207,602	25,668,030	25,734,576
Total Assets	\$ 31,930,242	31,924,191	7,437,676	7,459,135	39,367,918	\$ 39,383,326
Liabilities:						
Long-Term Obligations	\$ 13,133,878	13,996,698	2,970,000	3,350,000	16,103,878	\$ 17,346,698
Other Liabilities	2,400,531	2,490,107	97,892	108,203	2,498,423	2,598,310
Total Liabilities	15,534,409	16,486,805	3,067,892	3,458,203	18,602,301	19,945,008
Net Assets:						
Invested in Capital Assets, Net of Related Debt	7,603,546	6,976,250	3,171,073	2,928,633	10,774,619	9,904,883
Restricted	2,879,172	2,980,308	-	-	2,879,172	2,980,308
Unrestricted	5,913,115	5,480,828	1,198,711	1,072,299	7,111,826	6,553,127
Total Net Assets	\$ 16,395,833	15,437,386	4,369,784	4,000,932	20,765,617	\$ 19,438,318

The City's total assets of \$39,368,000 were very consistent with 2010 and decreased approximately \$15,000 from the prior year. Total liabilities as of June 30, 2011 decreased by approximately \$1,343,000 from the prior year primarily due to a \$1,243,000 decrease in long-term obligations resulting from normally scheduled debt service payments, partially offset by a new capital lease for a Mack refuse truck.

The City's net assets increased by approximately \$1,327,000 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 \$20,766,000 as of June 30, 2011. Approximately 52% of total net assets (\$10,775,000) reflect the City's investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt and capital leases used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 14% of net assets (\$2,879,000) 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 \$7,112,000) 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, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net assets for fiscal year 2011 compared to 2010.

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,920,184	2,854,039	377,845	354,844	3,298,029	\$ 3,208,883
Capital Grants and Contributions	867,771	132,184	-	-	867,771	132,184
General Revenues:						
Taxes	7,387,012	7,000,504	-	-	7,387,012	7,000,504
Other	257,017	395,453	3,845	3,917	260,862	399,370
Total Revenues	11,431,984	10,382,180	381,690	358,761	11,813,674	10,740,941
Expenses:						
General Government	1,189,965	1,432,769	-	-	1,189,965	1,432,769
Public Safety	5,020,410	4,989,897	-	-	5,020,410	4,989,897
Building, Planning and Engineering	560,559	311,676	-	-	560,559	311,676
Public Works	1,544,311	1,469,747	-	-	1,544,311	1,469,747
Recreation	956,109	906,726	-	-	956,109	906,726
Non-Departmental	304,250	278,575	-	-	304,250	278,575
Interest on Long-Term Obligations	527,279	557,416	-	-	527,279	557,416
Marina	-	-	383,492	416,907	383,492	416,907
Total Expenses	10,102,883	9,946,806	383,492	416,907	10,486,375	10,363,713
Change in Net Assets Before Transfers	1,329,101	435,374	(1,802)	(58,146)	1,327,299	377,228
Transfers	(370,654)	(412,827)	370,654	412,827	-	-
Change in Net Assets	958,447	22,547	368,852	354,681	1,327,299	377,228
Net Assets - Beginning of Year	15,437,386	15,414,839	4,000,932	3,646,251	19,438,318	19,061,090
Net Assets - End of Year	\$ 16,395,833	15,437,386	4,369,784	4,000,932	20,765,617	\$ 19,438,318

Governmental Activities: Governmental activities had a net increase in net assets of approximately \$958,000.

Compared to the prior year, total governmental activities revenue increased by approximately \$1,050,000 or 10%. Key changes compared to the prior year were as follows:

- Capital grants and contributions increased by approximately \$736,000 or 556%. This was due primarily to approximately \$702,000 in grants from Charleston County Transportations Sales Tax and Transportation Committee funds to support the City's drainage project in the vicinity of 53rd to 57th Avenues. An Energy Efficiency and Conservation Block Grant was also received for approximately \$28,000 related to lighting improvements in the Front Beach area.
- General revenues resulting from tourism (accommodations and hospitality taxes) were up approximately \$484,000 or 22% due to strong tourism activity and the return of Charleston County Accommodations Fee pass-through income to normal levels.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Expenses related to total governmental activities increased by approximately \$156,000, or 2%, from the prior year. Key changes as compared to the prior year were as follows:

- Salary and fringe expense increased by approximately \$37,000, or .7%,
- Vehicle fuel expense increased approximately \$33,000 or 26% due to increase in prices per gallon of unleaded and diesel fuel.
- Depreciation expense increased approximately \$25,000 due to capital additions, including the renovation of City Hall.
- Recreation Departments maintenance and service expense increased by a \$16,000 expenditure to resurface the tennis and basketball courts. General Government maintenance and service expense increased by approximately \$10,000 for the purchase of a city-wide volume license for computer software.
- Non-capital tools and equipment expense was approximately \$11,000 higher than in the prior year. The expense was spread across all departments.

Business-Type Activities: Net assets related to business-type activities (i.e., the marina) increased by approximately \$369,000. This increase was primarily 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of approximately \$9,996,000, an increase of approximately \$26,000 or less than 1% over the prior year's combined fund balance.

Approximately 22% of the total governmental fund balance (\$2,248,000) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it has already been constrained: (1) for tourism-related expenditures or operating expenses incurred to serve tourists (\$2,527,000), (2) for recovery efforts on future disasters (\$1,838,000), (3) for recreation center improvement (\$513,000), (4) for drainage initiatives (\$325,000), (5) for debt service (\$188,000), (6) other capital projects (\$1,901,000), and (7) for other purposes primarily related to police department initiatives, recreation center improvements, island beautification, victims' services, narcotics programs, beach maintenance and inventories on hand (\$456,000).

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 \$4,591,000. As a measure of the General Fund's liquidity, it is useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund (\$2,248,000) represents approximately 29% of total General Fund expenditures (\$7,855,000). 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 basically flat, up by approximately \$13,000 from the prior year.
- 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 2011, \$465,000 of tourism-related revenue was transferred into the General Fund to help pay for public safety and public works efforts tied to tourism.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

- Total General Fund expenditures were approximately \$192,000 greater than fiscal year 2010:
 - Debt service expense increased by approximately \$75,000 based on regularly scheduled principal and interest payments.
 - Salary and fringe expense (the largest component of General Fund expenditures) increased by approximately \$37,000, or .7%. The increase was primarily attributable to merit increases. During fiscal year 2010, City Council voted to discontinue the practice of issuing cost of living increases in favor of a fully merit-based system.
 - Fuel expense increased approximately \$33,000 due to increased cost per gallon of diesel and unleaded fuel.
 - Electricity expense increased approximately \$22,000 due primarily to the correction of a vendor billing error in March. The correction was not retroactive.
 - Maintenance and Service Contract expense increased by approximately \$24,000. Increases were seen in HVAC maintenance, housekeeping expense at the Public Safety Building and expense related to the Police Department's records management system.
- The General Fund is the only significant ongoing source of funding for the City's Capital Projects Fund. In fiscal year 2011, the General Fund transferred approximately \$602,000 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 \$85,000 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 \$638,000 for the construction of a drainage project in the area of 53rd – 57th Avenues, \$214,000 for renovations to City Hall and \$142,000 for various capital purchases. The ending fund balance in the Capital Projects Fund was approximately \$2,651,000. Accommodations-related revenues rebounded in fiscal year 2011 with an overall increase of \$361,000 or 22% over the prior year. Tourism activity was very strong and Charleston County returned to its practice of passing to the City 20% of the County Accommodations Tax collected on the Isle of Palms. This pass-through had been cut by approximately \$114,000 or 50% in fiscal year 2010. 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 and a garbage truck, resurfacing of tennis and basketball courts, debt service on the recreation center and marina, and special events such as the 4th of July fireworks show. At June 30, 2011, the Municipal Accommodations Fee Fund had a fund balance of approximately \$953,000 while the State Accommodations Tax Fund had a balance of approximately \$1,117,000.
- The Hospitality Tax fund balance at June 30, 2011 was approximately \$458,000. Hospitality tax revenues (including interest) were approximately \$509,000 in 2011. In 2011, these funds were used to support capital purchases in the Police, Fire and Recreation 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 2011 amounted to approximately \$4,370,000. 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 \$55,000 at June 30, 2011.

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 2011.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net investment in capital assets as of June 30, 2011 amounted to approximately \$25,668,000. 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, 2011 and 2010 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010 ^	2011	2010 ^
Land	\$ 2,913,446	2,913,446	3,035,786	3,035,786	5,949,232	\$ 5,949,232
Construction in Progress	737,619	124,224	-	-	737,619	124,224
Land Improvements	1,102,411	1,161,507	2,394,535	2,460,996	3,496,946	3,622,503
Buildings and Improvements	12,353,539	12,673,389	416,147	453,028	12,769,686	13,126,417
Vehicles and Vehicle Equipment	1,653,636	1,703,678	-	-	1,653,636	1,703,678
Equipment	803,627	920,879	1,008	8,185	804,635	929,064
Furniture and Fixtures	24,498	29,851	-	-	24,498	29,851
Docks	-	-	231,778	249,607	231,778	249,607
Total	\$ 19,588,776	19,526,974	6,079,254	6,207,602	25,668,030	\$ 25,734,576

^ Certain amounts in the prior year have been reclassified to agree to the current presentation.

The total decrease in the City's investment in capital assets for fiscal year 2011 was approximately \$67,000 or .3%. Major capital asset events during fiscal year 2011 included the following:

- Capital asset additions of approximately \$1,322,000 consisted primarily of:
 - Completion of City Hall renovations - \$214,000.
 - Ongoing construction on a drainage project in the vicinity of 53rd – 57th Avenues - \$638,000.
 - Purchase of new Mack refuse truck – \$167,000.
 - Purchase of other vehicles and equipment - \$242,000.
- Depreciation expense of approximately \$1,255,000 for governmental activities and \$128,000 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.

Debt

As of June 30, 2011, the City had total outstanding debt of approximately \$15,845,000. Of this total, \$14,120,000 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, 2011 and 2010 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 11,150,000	11,660,000	2,970,000	3,350,000	14,120,000	\$ 15,010,000
Bank Loan	889,637	1,168,204	-	-	889,637	1,168,204
Capital Lease Obligations	835,230	890,724	-	-	835,230	890,724
Total	\$ 12,874,867	13,718,928	2,970,000	3,350,000	15,844,867	\$ 17,068,928

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt (Continued)

The total decrease in the City's debt and capital leases for fiscal year 2011 was approximately \$1,224,000 or 7%. Major events during fiscal year 2011 included the following:

- Issuance of a capital lease for a new Mack refuse truck for approximately \$166,000.
- Scheduled principal payments on general obligation bonds and a bank loan of approximately \$1,169,000.
- Scheduled principal payments on capital leases of approximately \$221,000.

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, 2011 was approximately \$17,480,000. The City had \$9,815,000 of bonded debt subject to the 8% limit and thus as of June 30, 2011 had an unused legal debt margin of approximately \$7,665,000.

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 2012 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 2012 budget maintains a millage rate of 22.2.
- **General Fund Revenues:** Given the current economic climate, the fiscal year 2012 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. This is the second year in a row that the budget for these revenue streams has been decreased.
- **Transfers into the General Fund:** The City continues to supplement General Fund revenues with transfers in from tourism-related funds. The fiscal year 2012 budget includes a total of approximately \$515,000 to offset the expense of public safety and public works personnel who provide services to tourists.
- **Tourism-Related Revenues:** Because of continued strong tourism activity, the 2012 budget projects a full rebound in State Accommodations Tax, Municipal Accommodations Fee and Hospitality Tax revenues after two years of reduced budgets. Total revenues from these sources are budgeted to be \$1,993,000, which is a 21% increase over the FY11 budget.
- **Salaries and Wages:** The 2012 budget includes a 3% provision for merit-based salary and wage adjustments.
- **Drainage Improvements:** The 2012 budget includes approximately \$200,000 for the completion of construction on the 53rd-57th Avenues 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").
- **Marina Dredging:** The 2012 Marina Enterprise Fund budget includes \$300,000 of expense related to dredging the waterways adjacent to the Isle of Palms Marina.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

- **Early Payment on Lease:** The 2012 budget includes approximately \$147,000 for the early payment of a lease used to finance the purchase of a garbage truck in 2010.
- **Focused Erosion Project:** In order to address an erosion "hot spot" on the north end of the island, the 2012 budget includes \$600,000 for a project to scrape sand from a nearby shoal to restore the beach. These funds are remaining in the Beach Restoration Fund that was created for the large restoration project completed in 2008.

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, 2011

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,645,955	1,238,214	\$ 7,884,169
Cash and Cash Equivalents - Restricted	3,804,589	-	3,804,589
Investments	250,000	-	250,000
Investments - Restricted	18,669	-	18,669
Taxes Receivable, Net	149,240	-	149,240
Other Receivables, Net	1,272,737	55,458	1,328,195
Due from Other Governments	148,381	-	148,381
Internal Balances	(2,931)	2,931	-
Inventory	54,826	-	54,826
Bond Issuance Costs, Net	-	61,819	61,819
Capital Assets:			
Non-Depreciable	3,651,065	3,035,786	6,686,851
Depreciable, Net	15,937,711	3,043,468	18,981,179
TOTAL ASSETS	31,930,242	7,437,676	39,367,918
LIABILITIES			
Accounts Payable	648,945	16,745	665,690
Other Accrued Liabilities	176,637	22,500	199,137
Court Assessments/Victims' Rights Liabilities	53,682	-	53,682
Accrued Interest	175,393	58,647	234,040
Unearned Revenue	1,345,874	-	1,345,874
Long-Term Obligations:			
Due Within One Year	1,228,386	385,000	1,613,386
Due in More Than One Year	11,905,492	2,585,000	14,490,492
TOTAL LIABILITIES	15,534,409	3,067,892	18,602,301
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,603,546	3,171,073	10,774,619
Restricted For:			
Tourism Related Expenditures	2,527,494	-	2,527,494
Debt Service	187,976	-	187,976
Victims' Services	87,619	-	87,619
Narcotics Program	30,092	-	30,092
Beautification	45,991	-	45,991
Unrestricted	5,913,115	1,198,711	7,111,826
TOTAL NET ASSETS	\$ 16,395,833	4,369,784	\$ 20,765,617

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, 2011

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	\$ 1,189,965	-	-	867,771	(322,194)	-	\$ (322,194)
Public Safety	5,020,410	136,317	-	-	(4,884,093)	-	(4,884,093)
Building, Planning, and Engineering	560,559	2,219,026	-	-	1,658,467	-	1,658,467
Public Works	1,544,311	-	-	-	(1,544,311)	-	(1,544,311)
Recreation	956,109	225,391	-	-	(730,718)	-	(730,718)
Non-Departmental	304,250	339,450	-	-	35,200	-	35,200
Interest on Long Term Obligations	527,279	-	-	-	(527,279)	-	(527,279)
Total Governmental Activities	10,102,883	2,920,184	-	867,771	(6,314,928)	-	(6,314,928)
Business-Type Activities:							
Marina	383,492	377,845	-	-	-	(5,647)	(5,647)
TOTAL PRIMARY GOVERNMENT	\$ 10,486,375	3,298,029	-	867,771	(6,314,928)	(5,647)	(6,320,575)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,630,787	-	3,630,787
Property Taxes Levied for Debt Service Purposes					620,338	-	620,338
Local Option Sales Taxes					491,091	-	491,091
Hospitality Taxes					507,242	-	507,242
Accommodations Taxes					2,137,554	-	2,137,554
Intergovernmental					170,836	-	170,836
Interest Income					50,745	3,845	54,590
Gain (Loss) on Disposal of Capital Assets					11,728	-	11,728
Miscellaneous					23,708	-	23,708
Transfers In (Out)					(370,654)	370,654	-
Total General Revenues and Transfers					7,273,375	374,499	7,647,874
CHANGE IN NET ASSETS					958,447	368,852	1,327,299
NET ASSETS, Beginning of Year					15,437,386	4,000,932	19,438,318
NET ASSETS, End of Year					16,395,833	4,369,784	\$ 20,765,617

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, 2011

	GENERAL FUND	CAPITAL PROJECTS FUND	MUNICIPAL ACCOM- MODATIONS FEE FUND
ASSETS			
Cash and Cash Equivalents	\$ 4,484,296	2,159,142	-
Cash and Cash Equivalents - Restricted	502,927	13,643	661,754
Investments	250,000	-	-
Investments - Restricted	-	-	-
Taxes Receivable	149,240	-	-
Accounts Receivable	105,419	386,894	320,357
Due From:			
Other Governments	148,381	-	-
Other Funds	51,099	582,001	-
Inventory	54,826	-	-
TOTAL ASSETS	\$ 5,746,188	3,141,680	982,111
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 202,708	276,505	11,057
Other Accrued Liabilities	176,637	-	-
Court Assessments/Victims' Rights Liabilities	53,682	-	-
Due To:			
Other Funds	583,098	-	18,493
Deferred Revenue, Property Taxes	120,145	-	-
Deferred/Unearned Revenue, Other	18,602	214,445	-
TOTAL LIABILITIES	1,154,872	490,950	29,550
FUND BALANCES			
Nonspendable:			
Inventory	54,826	-	-
Restricted:			
Victims' Services	-	-	-
Narcotics Program	-	-	-
Debt Service	187,976	-	-
Tourism Related Expenditures	-	-	952,561
Beautification	45,991	-	-
Committed:			
Recovery Effort on Future Disasters	1,838,333	-	-
Recreation Center	-	274,915	-
Assigned:			
Drainage Improvements	-	325,138	-
Beach Maintenance	216,240	-	-
Recreation Center	-	150,000	-
Capital Projects	-	1,900,677	-
Other	-	-	-
Unassigned	2,247,950	-	-
TOTAL FUND BALANCES	4,591,316	2,650,730	952,561
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,746,188	3,141,680	982,111

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
-	-	-	-	2,517	\$ 6,645,955
890,222	-	410,343	1,136,311	189,389	3,804,589
-	-	-	-	-	250,000
-	-	-	-	18,669	18,669
-	-	-	-	-	149,240
369,077	-	62,992	-	27,998	1,272,737
-	-	-	-	-	148,381
-	-	-	-	1,097	634,197
-	-	-	-	-	54,826
1,259,299	-	473,335	1,136,311	239,670	\$ 12,978,594
134,056	-	1,028	23,484	107	\$ 648,945
-	-	-	-	-	176,637
-	-	-	-	-	53,682
8,225	-	14,392	-	12,920	637,128
-	-	-	-	-	120,145
-	-	-	1,112,827	-	1,345,874
142,281	-	15,420	1,136,311	13,027	2,982,411
-	-	-	-	-	54,826
-	-	-	-	87,619	87,619
-	-	-	-	30,092	30,092
-	-	-	-	-	187,976
1,117,018	-	457,915	-	-	2,527,494
-	-	-	-	-	45,991
-	-	-	-	-	1,838,333
-	-	-	-	-	274,915
-	-	-	-	-	325,138
-	-	-	-	-	216,240
-	-	-	-	88,494	238,494
-	-	-	-	-	1,900,677
-	-	-	-	20,438	20,438
-	-	-	-	-	2,247,950
1,117,018	-	457,915	-	226,643	9,996,183
1,259,299	-	473,335	1,136,311	239,670	\$ 12,978,594

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

JUNE 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 9,996,183
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.	120,145
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 \$27,642,247 and the accumulated depreciation was \$8,053,471.	19,588,776
Accrued interest payable was recognized for governmental activities, but was not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(175,393)
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	(12,039,637)
Capital Leases	(835,230)
Compensated Absences	(259,011)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ 16,395,833

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, 2011

	GENERAL FUND	CAPITAL PROJECTS FUND	MUNICIPAL ACCOM- MODATIONS FEE FUND
REVENUES			
Property Taxes	\$ 4,252,025	-	-
Local Option Sales Tax	491,091	-	-
Hospitality Taxes	-	-	-
Intergovernmental	253,223	704,661	964,818
Licenses and Permits	2,219,026	-	-
Fines and Forfeitures	123,752	-	-
Grant Revenue	-	-	-
Contributions of Cash	-	-	-
Revenues from Use of Property	339,450	-	-
Interest	18,305	18,808	3,591
Other	238,782	6,026	-
TOTAL REVENUES ALL SOURCES	7,935,654	729,495	968,409
EXPENDITURES			
Current:			
General Government	762,040	17,637	18,840
Public Safety	4,256,646	30,707	239
Building, Planning, and Engineering	304,107	2,253	-
Public Works	1,009,187	110,721	84,517
Recreation	755,144	21,694	8,000
Non-Departmental	31,804	-	46,044
Capital Outlay	-	1,058,394	79,169
Debt Service:			
Principal	378,000	98,917	109,122
Interest	358,114	15,903	40,511
TOTAL EXPENDITURES	7,855,042	1,356,226	386,442
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	80,612	(626,731)	581,967
OTHER FINANCING SOURCES (USES)			
Transfers In	623,472	601,557	-
Transfers Out	(601,557)	-	(617,187)
Capital Leases	-	55,223	55,222
Sale of Capital Assets	8,436	-	4,815
TOTAL OTHER FINANCING SOURCES (USES)	30,351	656,780	(557,150)
NET CHANGES IN FUND BALANCES	110,963	30,049	24,817
FUND BALANCES, Beginning of Year	2,536,743	2,620,681	927,744
Reclassification of Fund Balances - GASB #54	1,943,610	-	-
FUND BALANCES, Beginning of Year	4,480,353	2,620,681	927,744
FUND BALANCES, End of Year	\$ 4,591,316	2,650,730	952,561

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
-	-	-	-	-	\$ 4,252,025
-	-	-	-	-	491,091
-	-	507,242	-	-	507,242
1,090,350	-	-	-	-	3,013,052
-	-	-	-	-	2,219,026
-	-	-	-	12,564	136,316
-	-	-	-	27,998	27,998
-	-	-	135,112	-	135,112
-	-	-	-	-	339,450
3,642	-	2,158	3,486	755	50,745
-	-	-	-	4,291	249,099
1,093,992	-	509,400	138,598	45,608	11,421,156
406,011	-	-	78,035	398	1,282,961
2,500	-	-	-	4,089	4,294,181
-	-	13,527	-	-	319,887
18,388	-	60,685	-	-	1,283,498
22,971	-	-	-	63	807,872
148,972	-	-	60,563	-	287,383
126,917	-	67,246	-	53,810	1,385,536
61,122	-	84,000	278,567	-	1,009,728
9,271	-	75,650	36,915	-	536,364
796,152	-	301,108	454,080	58,360	11,207,410
297,840	-	208,292	(315,482)	(12,752)	213,746
-	-	-	315,482	-	1,540,511
(265,751)	-	(398,018)	-	(28,652)	(1,911,165)
55,222	-	-	-	-	165,667
1,500	-	-	-	2,130	16,881
(209,029)	-	(398,018)	315,482	(26,522)	(188,106)
88,811	-	(189,726)	-	(39,274)	25,640
1,028,207	1,827,679	647,641	-	381,848	9,970,543
-	(1,827,679)	-	-	(115,931)	-
1,028,207	-	647,641	-	265,917	9,970,543
1,117,018	-	457,915	-	226,643	\$ 9,996,183

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, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 25,640

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. (900)

Governmental funds report only proceeds received from the sale of capital assets, without any
consideration for the net book value of the asset(s) that were sold. The Statement of Activities
reports gains or losses based on the proceeds and the net book value of the asset(s) sold. (5,153)

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. 1,009,728

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. (165,667)

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. 9,085

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. 18,759

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 (\$1,321,637)
exceeded depreciation expense (\$1,254,682) in the current period. 66,955

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 958,447

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, 2011

	<u>MARINA</u> <u>ENTERPRISE FUND</u> <u>JUNE 30, 2011</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,238,214
Interfund Receivable	2,931
Accounts Receivable	55,458
Total Current Assets	<u>1,296,603</u>
Noncurrent Assets:	
Bond Issuance Costs, Net	61,819
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	(1,254,148)
Total Noncurrent Assets	<u>6,141,073</u>
TOTAL ASSETS	<u>7,437,676</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	16,745
Accrued Interest	58,647
Security Deposits	22,500
Bond Payable, Current Portion	385,000
Total Current Liabilities	<u>482,892</u>
Noncurrent Liabilities:	
Bond Payable, Net of Current Portion	2,585,000
TOTAL LIABILITIES	<u>3,067,892</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	3,171,073
Unrestricted	1,198,711
TOTAL NET ASSETS	<u><u>\$ 4,369,784</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, 2011

	<u>MARINA</u> <u>ENTERPRISE FUND</u> <u>2011</u>
OPERATING REVENUES	
Lease Income	\$ 377,845
TOTAL OPERATING REVENUES	<u>377,845</u>
OPERATING EXPENSES	
Depreciation	128,348
Insurance	75,691
Professional Services	5,187
Contracted Services	6,736
Utilities	660
Maintenance and Service Contracts	666
Advertising	5,620
Miscellaneous	34
TOTAL OPERATING EXPENSES	<u>222,942</u>
OPERATING INCOME	<u>154,903</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest Income	3,845
Amortization of Bond Issue Costs	(9,212)
Interest Expense	(151,338)
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(156,705)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(1,802)</u>
Transfers In	<u>370,654</u>
CHANGE IN NET ASSETS	368,852
NET ASSETS, Beginning of Year	<u>4,000,932</u>
NET ASSETS, End of Year	<u>\$ 4,369,784</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, 2011

	MARINA ENTERPRISE FUND 2011
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 378,168
Cash Payments to Suppliers for Goods and Services	(89,635)
NET CASH PROVIDED BY OPERATING ACTIVITIES	288,533
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	367,723
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	367,723
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Bonds	(380,000)
Interest Paid on Bonds	(165,874)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(545,874)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	3,845
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,845
NET INCREASE IN CASH AND CASH EQUIVALENTS	114,227
CASH AND CASH EQUIVALENTS, Beginning of Year	1,123,987
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,238,214
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 154,903
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	128,348
Change Due to (Increase) Decrease in Operating Assets:	
Other Receivable	1,057
Change Due to Increase (Decrease) in Operating Liabilities:	
Other Payables	4,225
Net Cash Provided by Operating Activities	\$ 288,533
SUPPLEMENTAL INFORMATION FOR NON-CASH ACTIVITIES:	
Depreciation Expense	\$ 128,348
Amortization Expense	\$ 9,212

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, 2011

	<u>VOLUNTEER FIRE</u>
ASSETS	
Cash and Cash Equivalents - Restricted	\$ 56,762
TOTAL ASSETS	<u><u>\$ 56,762</u></u>
LIABILITIES	
Accounts Payable	\$ 1,859
Due To Volunteer Fire Department	54,903
TOTAL LIABILITIES	<u><u>\$ 56,762</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

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The 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, 2011

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

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, 2011

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 governmental fund types and major and non-major funds are as follows:

The *General Fund, a major fund* and a budgeted fund, is the general operating fund of the City and accounts for all revenues and expenditures of the City except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special revenue funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City has the following special revenue funds:

- i) The *Municipal Accommodations Fee Fund, a major fund* and a budgeted fund, is used to account for the accumulation of resources from the fee imposed on the rental of some accommodations within the City and the allocation of Charleston County Accommodations Fees received. These funds are restricted and thus can only be spent for tourism and tourist-related expenditures.
- ii) The *State Accommodations Tax Fund, a major fund* and a budgeted fund, is used to account for the accumulation of resources from the accommodations taxes levied by the State of South Carolina and remitted to the City. These funds are restricted and thus can only be spent for advertising, promotion, and tourism and tourism related expenditures.
- iii) The *Hospitality Tax Fund, a major fund* and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the City's 2% fee imposed on prepared food and beverage sales within the City. These funds are restricted and thus can only be spent for tourism and tourist-related expenditures.
- iv) The *Beach Restoration Fund, a major fund* and a budgeted fund, is used to account for the accumulation of resources from the City, state/local grants, and private contributions (from affected homeowners) all of which were restricted for the nourishment, monitoring, and regulatory compliance related to the 2008 beach restoration project. Legally required monitoring of this project continues. Also, an erosion "hot spot" has been identified with the project area and will be addressed in using the residual monies in this fund.
- v) The *special revenue funds, non-major funds*, are used to account for the specific revenue sources (other than major capital projects) that are restricted by donor, law, or administrative actions to expenditures for specified purposes. Most of these funds have a legally adopted budget and any remaining fund balance is generally restricted for the purpose of the specific revenue source. The City has the following non-major special revenue funds:

Federal Narcotics
Aisle of Palms

State Narcotics
Recreation Building

Victims' Assistance

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable GASB pronouncements, as well as the requirements of Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board (“APB”) Opinions, and Accounting Research Bulletins (“ARBs”), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The City has elected not to follow the aforementioned guidance issued after November 30, 1989, as allowed by GAAP.

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

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

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

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

C. Assets, Liabilities and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Local Government Investment Pool (“Pool”) to be cash equivalents. Securities with original maturities of more than three months when initially purchased are reported as investments.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1 Cash, Cash Equivalents, and Investments (Continued)

Investments

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

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

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

2. Receivables and Payables

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

3. Inventories and Prepaids

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

4. Capital Assets

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

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. As allowed by GASB #34, the City has elected to prospectively report public domain ("infrastructure") general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2000 have not been recorded. Public domain capital assets consist of roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, lighting systems and similar assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City maintains a minimum capitalization threshold of \$1,000 for all capital assets.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

4. Capital Assets (Continued)

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities
Buildings	20-50 years
Marina Docks and Related Capital Assets	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.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. Fund Balance

The City implemented GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” (“GASB #54”) in the current year. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarify the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The City classifies governmental fund balances as follows:

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

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

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

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The City reserves the right to assign fund balance by a simple majority vote of Council. Council by an approved resolution in its June 28, 2011 meeting also formally granted the Mayor and City Administrator the right to assign fund balance (when deemed appropriate).

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

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

City Council approved by resolution on June 28, 2011 a financial goal to have sufficient fund balance in the General Fund (operating fund) with sufficient working capital and a margin of safety to address cyclical fluctuations in revenues and expenditures. The City shall generally strive to maintain a fund balance in the General Fund at year end in which the total fund balance is 30% of total General Fund expenditures and unassigned fund balance is 20% of total General Fund expenditures.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. Fund Balance (Continued)

The implementation of GASB #54, had no impact on the total fund balance of the City but it did require that certain beginning fund balances of the City's to be reclassified/restated. The City's fund balances were reclassified/restated as follows:

The beginning fund balance for the Disaster Recovery Fund (formerly a major special revenue fund) and the Beach Maintenance Fund (formerly a non-major special revenue fund) of approximately \$1,828,000 and \$116,000 were reclassified/restated and included in the General Fund as the Disaster Recovery Fund and the Beach Maintenance Fund no longer qualify as a Special Revenue Fund under GASB #54.

8. Net Assets

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

9. Accounting Estimates

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

10. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2011, none of the City's bank balances of approximately \$3,591,000 (with a carrying value of approximately \$3,481,000) were exposed to custodial credit risk.

Investments

As of June 30, 2011, the City had the following investments and maturities:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 8,533,564	Unrated	^

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

Interest Rate Risk: The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates, but they do follow the investment policy statutes of the State of South Carolina.

The City does not typically buy security investments and thus has not developed a policy for credit risk, custodial credit risk, or concentration of credit risk for these types of investments.

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2011 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, grants, etc.).

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

A. Deposits and Investments (Continued)

Investments (Continued)

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

Statement of Net Assets	Amount
Cash and Cash Equivalents	\$ 7,884,169
Cash and Cash Equivalents - Restricted	3,804,589
Investments	250,000
Investments - Restricted	18,669
Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund	
Cash and Cash Equivalents	56,762
Total Cash and Investments per Basic Financial Statements	\$ 12,014,189
Notes	
Carrying Value of Deposits	\$ 3,480,625
Investments	8,533,564
Total Cash and Investments per Notes to Basic Financial Statements	\$ 12,014,189

B. Property Taxes and Other Receivables

The City's 2010 property taxes were levied on September 30, 2010 and were due beginning on this date based on the assessed valuation on real and personal property (including vehicles) of approximately \$218,505,000 as of January 1, 2010. Property taxes were considered late on January 17, 2011. 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 2010 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.

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

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

B. Property Taxes and Other Receivables (Continued)

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

	General Fund	Capital Projects Fund	Municipal Accommodations Fee Fund	State Tax Fund	Hospitality Tax Fund	Other Governmental Funds	Marina Enterprise Fund	Totals
Property taxes	\$ 157,095	-	-	-	-	-	-	\$ 157,095
Allowance for Uncollectibles	(7,855)	-	-	-	-	-	-	(7,855)
Local Option Sales Tax	148,381	-	-	-	-	-	-	148,381
Accommodations Taxes	25,675	-	320,357	369,077	-	-	-	715,109
Hospitality Taxes	-	-	-	-	62,992	-	-	62,992
Marina Operations	-	-	-	-	-	-	55,458	55,458
MASC Insurance License	2,601	-	-	-	-	-	-	2,601
Franchise Fees	42,031	-	-	-	-	-	-	42,031
State Aid to Subdivisions	20,610	-	-	-	-	-	-	20,610
Grant Income	-	386,894	-	-	-	27,998	-	414,892
Other	14,502	-	-	-	-	-	-	14,502
Net Receivables	\$ 403,040	386,894	320,357	369,077	62,992	27,998	55,458	\$ 1,625,816

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, 2011, the various components of deferred/unearned revenue were as follows:

<u>Primary Government</u>	Fund	Deferred	Unearned	Total
Property Taxes Receivable	General	\$ 120,145	-	\$ 120,145
Grant Revenue	Capital Projects	-	214,445	214,445
Cash Contributions	Beach Restoration	-	1,112,827	1,112,827
Residential Rental Licenses	General	-	18,602	18,602
Total Deferred/Unearned Revenue		\$ 120,145	1,345,874	\$ 1,466,019

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2011, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 51,099	\$ 583,098
Capital Projects Fund	582,001	-
Municipal Accommodations Fee Fund	-	18,493
State Accommodations Tax Fund	-	8,225
Hospitality Tax Fund	-	14,392
Victims' Assistance Fund	1,097	2,843
Aisle of Palms Fund	-	10,077
<u>Proprietary Funds</u>		
Marina	2,931	-
Totals	\$ 637,128	\$ 637,128

The Capital Projects receivable of approximately \$582,000 from the General Fund relates primarily to an assignment of funds for future capital projects. The Municipal Accommodations Fee Fund payable of approximately \$18,000, the State Accommodations Tax Fund payable of approximately \$8,000, the Hospitality Tax Fund payable of approximately \$14,000 and the Victims' Assistance Fund of approximately \$3,000 to the General Fund represent budgeted for reimbursements and salaries paid out of the General Fund. The Aisle of Palms Fund payable relates to the front beach lighting project paid 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, 2011, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ 623,472	\$ 601,557
Capital Projects Fund	601,557	-
Municipal Accommodations Fee Fund	-	617,187
State Accommodations Tax Fund	-	265,751
Hospitality Tax Fund	-	398,018
Beach Restoration Fund	315,482	-
Victims' Assistance Fund	-	28,652
<u>Proprietary Fund:</u>		
Marina Enterprise Fund	370,654	-
Totals	\$ 1,911,165	\$ 1,911,165

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

C. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers (Continued)

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

D. Capital Assets

Capital asset activity for the City’s governmental activities for the year ended June 30, 2011, 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	124,224	851,572	-	(238,177)	737,619
Total Capital Assets, Non-Depreciable	3,037,670	851,572	-	(238,177)	3,651,065
Capital Assets, Depreciable:					
Land Improvements	2,059,759	53,810	-	-	2,113,569
Buildings and Improvements	14,976,339	7,097	-	238,177	15,221,613
Vehicles and Vehicle Equipment	4,030,978	323,621	238,253	-	4,116,346
Equipment	2,415,290	85,537	39,262	-	2,461,565
Furniture and Fixtures	78,089	-	-	-	78,089
Total Capital Assets, Depreciable	23,560,455	470,065	277,515	238,177	23,991,182
Less: Accumulated Depreciation for:					
Land Improvements	898,252	112,906	-	-	1,011,158
Buildings and Improvements	2,302,950	565,124	-	-	2,868,074
Vehicles and Vehicle Equipment	2,327,300	371,105	235,695	-	2,462,710
Equipment	1,494,411	200,194	36,667	-	1,657,938
Furniture and Fixtures	48,238	5,353	-	-	53,591
Total Accumulated Depreciation	7,071,151	1,254,682	272,362	-	8,053,471
Total Capital Assets, Depreciable, Net	16,489,304	(784,617)	5,153	238,177	15,937,711
Governmental Activities Capital Assets, Net	\$ 19,526,974	66,955	5,153	-	\$ 19,588,776

The cost of equipment recorded under capital lease was approximately \$2,063,000. Accumulated amortization on the equipment recorded under capital lease was approximately \$1,132,000 at June 30, 2011. Amortization of assets, recorded under capital lease obligations, has been included with depreciation expense.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

D. Capital Assets (Continued)

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	\$ 289,039	\$ 137,681
Public Safety	215,276	744,988
Building and Planning	1,357	26,862
Public Works	810,606	148,237
Recreation	5,359	196,914
Total - Governmental Activities	\$ 1,321,637	\$ 1,254,682

Capital asset activity for the City's business-type activity for the year ended June 30, 2011, was as follows:

	Beginning Balance ^	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Non-Depreciable					
Land	\$ 3,035,786	-	-	-	\$ 3,035,786
Total Capital Assets, Non-Depreciable	3,035,786	-	-	-	3,035,786
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	4,297,616	-	-	-	4,297,616
Less: Accumulated Depreciation for:					
Land Improvements	194,812	66,461	-	-	261,273
Buildings and Improvements	393,970	36,881	-	-	430,851
Docks	282,975	17,829	-	-	300,804
Equipment	254,043	7,177	-	-	261,220
Total Accumulated Depreciation	1,125,800	128,348	-	-	1,254,148
Total Capital Assets, Depreciable, Net	3,171,816	(128,348)	-	-	3,043,468
Business-Type Activities Capital Assets, Net	\$ 6,207,602	(128,348)	-	-	\$ 6,079,254

^ Certain amounts in the prior year have been reclassified to agree to the current presentation.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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, 2011 are as follows:

	<u>Principal Outstanding at Year End</u>
<u>General Obligation Bonds and Bank Loan</u>	
\$2,900,000 General Obligation Bonds Series 2003 (“Series 2003”) issued in July 2003 to finance the expansion of the recreation center and was approved through voter referendum and thus is not subject to the 8% debt limit. Principal is payable annually and interest, at 3.55%, semi-annually. Annual debt service requirements range from approximately \$171,000 to \$243,000 through June, 2023 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.	\$ 2,080,000
\$3,650,000 General Obligation Bonds Series 2006 (“Series 2006”) issued in August 2006 to defray the cost of constructing and equipping Fire Station 2 and making certain other expenditures related thereto. Principal is payable annually and interest, at 3.99%, semi-annually. Annual debt service requirements range from approximately \$176,000 to \$286,000 through July, 2026. Debt service payments were first paid from the prior year residual bond proceeds and then were paid 60% by the Hospitality Tax Fund and 40% by the General Fund.	3,020,000
\$2,925,000 General Obligation Bond (“Series 2008A”) issued in April 2008 to refinance the remaining balance on the \$4,250,000 General Obligation Bond series 1999 (issued in January 1999) which originally purchased the Marina, was approved through voter referendum, and thus is not subject to the 8% debt limit. Principal is payable annually and interest, at 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.	2,225,000
\$6,700,000 General Obligation Bonds Series 2008 (“Series 2008B”) issued in August 2008 to defray the cost of constructing and equipping a new public safety building and renovating certain municipal facilities. Principal is payable annually and interest, at 4.14%, semi-annually. Annual debt service requirements range from approximately \$343,000 to \$540,000 through March, 2028 and are being paid 100% by the General Fund.	6,050,000
\$1,000,000 General Obligation Bond (“Series 2009”) issued in April 2009 to defray the cost to construct a new marina bulkhead and renovate certain related municipal facilities. Principal is payable annually and interest, at 4.39%, semi-annually. Annual debt service requirements range from approximately \$125,000 to \$165,000 through March, 2016 and are being paid by the Marina Enterprise Fund.	745,000
\$1,700,000 Bank Loan (“Bank Loan – 06/08”) obtained in 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>889,637</u>
Total General Obligation Bonds and Bank Loan	<u>\$15,009,637</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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 ("CL – 09/03") 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.	\$ 154,939
The City entered into a \$471,000 capital lease on May 5, 2004 ("CL – 05/04") 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.	104,550
The City entered into an \$112,271 capital lease on July 29, 2005 ("CL – 07/05") 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.	29,914
The City entered into an \$115,000 capital lease on August 30, 2006 ("CL – 08/06") 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.	45,727
The City entered into a \$162,200 capital lease on November 1, 2007 ("CL – 11/07") 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.	83,928
The City entered into a \$342,155 capital lease on August 26, 2009 ("CL – 08/09") 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.	273,128
The City entered into a \$165,667 capital lease on August 5, 2010 ("CL – 08/10") to finance the purchase of a Mack refuse truck. Annual payments of \$22,623, including interest at 2.61%, are due each August 5 th , through 2017.	<u>143,044</u>
Total Capital Lease Obligations	<u>\$ 835,230</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, 2011.

The City incurred interest expense of approximately \$527,000 and \$151,000 for its governmental and business-type activities debt, respectively.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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, 2011, the City had \$9,815,000 of bonded debt subject to the 8% limit of approximately \$17,480,000 available, resulting in an unused legal debt margin of approximately \$7,665,000.

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2011, 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	\$ 2,200,000	-	120,000	2,080,000	\$ 125,000
GOB - Series 2006	3,160,000	-	140,000	3,020,000	145,000
GOB - Series 2008B	6,300,000	-	250,000	6,050,000	275,000
Total GOB Debt	11,660,000	-	510,000	11,150,000	545,000
Bank Loan - 06/08	1,168,204	-	278,567	889,637	287,369
Total GOB Debt and Bank Loan	12,828,204	-	788,567	12,039,637	832,369
Capital Leases:					
CL - 09/03	228,000	-	73,061	154,939	75,962
CL - 05/04	154,030	-	49,480	104,550	51,320
CL - 07/05	44,142	-	14,228	29,914	14,709
CL - 08/06	59,741	-	14,014	45,727	14,611
CL - 11/07	103,039	-	19,111	83,928	19,832
CL - 08/09	301,772	-	28,644	273,128	29,758
CL - 08/10	-	165,667	22,623	143,044	18,890
Total Capital Leases	890,724	165,667	221,161	835,230	225,082
Accrued Compensated Absences	277,770	183,315	202,074	259,011	170,935
Total Governmental Activities	\$ 13,996,698	348,982	1,211,802	13,133,878	\$ 1,228,386
Business-Type Activities:					
GOB Debt:					
GOB - Series 2008A	\$ 2,475,000	-	250,000	2,225,000	\$ 250,000
GOB - Series 2009	875,000	-	130,000	745,000	135,000
Total GOB Debt	\$ 3,350,000	-	380,000	2,970,000	\$ 385,000

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

E. Long-Term Obligations (Continued)

Debt Service Requirements to Maturity

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

Year Ending June 30,	GOB and Bank Loan		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2012	\$ 832,369	472,921	225,082	30,521	\$ 1,560,893
2013	856,450	442,233	233,525	22,077	1,554,285
2014	875,818	410,701	89,245	13,317	1,389,081
2015	610,000	378,498	75,937	10,065	1,074,500
2016	650,000	354,347	55,606	7,400	1,067,353
2017-2021	3,680,000	1,362,637	155,835	10,560	5,209,032
2022-2026	3,635,000	609,231	-	-	4,244,231
2027-2028	900,000	55,890	-	-	955,890
Totals	\$ 12,039,637	4,086,458	835,230	93,940	\$ 17,055,265
<u>Business-Type Activities</u>					
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	440,000	67,757	-	-	507,757
2017-2019	900,000	92,700	-	-	992,700
Totals	\$ 2,970,000	634,434	-	-	\$ 3,604,434

F. Marina Revenue

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

- The City dock lease – annual income of approximately \$180,000. The lease is through September 20, 2014. The lease can be extended for two additional five year terms.
- Marina store rental – annual income of approximately \$93,000. The lease was renewed through January 31, 2015.
- Marina restaurant rental – annual income of approximately \$85,000. The lease has been renewed through October 31, 2014. There are two additional three year renewal options that could extend the lease term until October 31, 2020.
- Water sports dock rental – annual income of approximately \$20,000. The lease has been renewed through September 30, 2015.

Estimated future annual lease income for the long-term leases in effect as of June 30, 2011 are as follows:

Year Ending June 30,	Amount
2012	\$ 320,265
2013	320,346
2014	320,346
2015	159,234
2016	\$ 5,040

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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, 2011, the City’s premium costs totaled approximately \$216,000. SCMIRF’s net assets from its most recently issued audited financial statements at December 31, 2010, totaled approximately \$28,528,000.

The City has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for workers’ compensation. The City pays an annual premium to SCMIT. For the year ended June 30, 2011, the City made premium payments totaling approximately \$68,000. 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, 2010, totaled approximately \$40,789,000.

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

Participation in Public Entity Risk Pool for Health Insurance

The City has also joined together with other local governments in the South Carolina Local Government Assurance Group (“SCLGAG”) to provide medical, dental and life insurance for its employees. This is also a public entity risk pool operating as a common risk management and insurance program. The SCLGAG reinsures through commercial insurance to cover large specific losses. In the year ended June 30, 2011, 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, 2011 were approximately \$9,983,000.

In January 2011, members of the municipal association of South Carolina voted to discontinue the SCLGAG effective June 30, 2011. However, SCLGAG will continue to operate through June 30, 2012 to settle all outstanding claims. The City could receive back excess contributions or have to make additional contributions to the SCLGAG, if required, based on the financial condition of the pool. At this time, the City is unable to estimate what impact the final settlement of claims of the SCLGAG will have to the City, if any, and thus no amounts have been reflected in the financial statements. 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.

Effective July 1, 2011, the City switched its medical, dental and life insurance for its employees to the SC State Health Plan (“Health Plan”). The Health Plan is a public entity risk pool operating as a common risk management and insurance program. The Health Plan reinsures through commercial insurance to cover large specific losses.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

IV. OTHER INFORMATION (CONTINUED)

B. Pension Disclosures

South Carolina Retirement and Police Officers' Retirement System

South Carolina Retirement and Police Officers' Retirement System: All full-time City employees, except for fire and police department sworn service personnel, are required to participate in the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. City sworn police officers and firefighting personnel are required to participate in the South Carolina Police Officers' Retirement System ("SCPORS"), a cost-sharing multiple-employer defined benefit pension plan. 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		
	2009	2010	2011	2009	2010	2011
<u>Employer Rate</u>						
Retirement	9.24%	9.24%	9.24%	10.65%	10.65%	11.13%
Group Life Insurance Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	N/A	N/A	N/A	0.20%	0.20%	0.20%
Total	<u>9.39%</u>	<u>9.39%</u>	<u>9.39%</u>	<u>11.05%</u>	<u>11.05%</u>	<u>11.53%</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>

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
2011	\$ 157,268	100%	9.39%	\$ 268,823	100%	11.53%
2010	155,217	100%	9.39%	242,378	100%	11.05%
2009	\$ 149,102	100%	9.39%	\$ 240,015	100%	11.05%

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

IV. OTHER INFORMATION (CONTINUED)

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, 2011 due to the fact that the City's current OPEB plan requires retirees to pay the full cost of an age adjusted retiree rate rather than a blended group rate.

Due to the dissolution of SCLGAG effective June 30, 2011, the City switched its medical, dental and life insurance for its employees and retirees to the SC State Health Plan ("Health Plan") effective July 1, 2011. The City will continue not to be impacted by OPEB accounting since the City will require 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 area of the project where public access existed.

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). As of fiscal year-end 2011, the City still has a deferred/unearned liability in the financial statements of approximately \$1,113,000 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. Further, the city has made application to SCDHEC and the Corp of Engineers for a permit to accomplish renourishment in areas of the project experiencing periodic focused erosion.

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, 2011.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

IV. OTHER INFORMATION (CONTINUED)

E. Commitments and Contingencies (Continued)

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.

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

At June 30, 2011, the City had approximately \$257,000 in construction commitments for the completion of the 53rd – 57th Avenues drainage project.

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 2011, the City paid approximately \$146,000 (including interest) to early retire the capital lease for the purchase of a refuse truck. The lease was originally entered into in August 2010.



Required Supplementary Information

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 4,192,824	4,192,824	4,252,025	\$ 59,201
Local Option Sales Tax	508,000	508,000	491,091	(16,909)
Intergovernmental	254,777	254,777	253,223	(1,554)
Licenses and Permits	2,228,700	2,228,700	2,219,026	(9,674)
Fines	110,000	110,000	123,752	13,752
Interest	36,500	36,500	18,305	(18,195)
Revenues From Use of Properties (Marina excluded)	321,000	321,000	339,450	18,450
Other Revenues	203,325	203,325	247,218	43,893
TOTAL REVENUES ALL SOURCES	7,855,126	7,855,126	7,944,090	88,964
EXPENDITURES				
General Government:				
Mayor and Council	43,774	43,774	35,857	(7,917)
Administration	667,964	667,964	566,481	(101,483)
Judicial and Legal	159,668	159,668	159,702	34
Public Safety:				
Police Department	2,180,913	2,180,913	2,019,158	(161,755)
Fire Department	2,335,059	2,335,059	2,237,488	(97,571)
Building, Planning, and Engineering	324,122	324,122	304,107	(20,015)
Public Works	1,094,801	1,094,801	1,009,187	(85,614)
Recreation:				
Recreation Department	704,597	704,597	669,682	(34,915)
Recreation Instruction	88,750	88,750	85,462	(3,288)
Non-Departmental:				
Parking Meters	31,352	31,352	31,804	452
Debt Service:				
Principal	378,000	378,000	378,000	-
Interest	358,114	358,114	358,114	-
TOTAL EXPENDITURES	8,367,114	8,367,114	7,855,042	(512,072)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(511,988)	(511,988)	89,048	601,036
OTHER FINANCING SOURCES (USES)				
Transfers In	656,370	656,370	623,472	(32,898)
Transfers Out	(30,382)	(30,382)	(601,557)	(571,175)
TOTAL OTHER FINANCING SOURCES (USES)	625,988	625,988	21,915	(604,073)
NET CHANGES IN FUND BALANCES	114,000	114,000	110,963	(3,037)
FUND BALANCES, Beginning of Year	2,536,743	2,536,743	2,536,743	-
Reclassification of Fund Balances - GASB #54	1,943,610	1,943,610	1,943,610	-
FUND BALANCE, Beginning of Year	4,480,353	4,480,353	4,480,353	-
FUND BALANCES, End of Year	\$ 4,594,353	4,594,353	4,591,316	\$ (3,037)

Note: The City's original and final budget (which includes the Disaster Recovery and Beach Maintenance sub funds) reflected an expected surplus of \$114,000 for 2011.

Note: The above schedule reflects the sale of capital assets of \$8,436 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, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Fee Revenue	\$ 542,000	542,000	688,889	\$ 146,889
County Accommodations Fee Revenue	110,000	110,000	275,929	165,929
Interest	4,500	4,500	3,591	(909)
TOTAL REVENUES	656,500	656,500	968,409	311,909
EXPENDITURES				
Current:				
General Government	29,110	29,110	18,840	(10,270)
Public Safety:				
Fire Department	-	-	239	239
Public Works	91,200	91,200	84,517	(6,683)
Recreation	12,100	12,100	8,000	(4,100)
Non-Departmental:				
Public Restrooms	60,962	60,962	46,044	(14,918)
Capital Outlay	116,333	116,333	79,169	(37,164)
Debt Service:				
Principal	109,480	109,480	109,122	(358)
Interest	40,511	40,511	40,511	-
TOTAL EXPENDITURES	459,696	459,696	386,442	(73,254)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	196,804	196,804	581,967	385,163
OTHER FINANCING SOURCES (USES)				
Transfers Out	(689,876)	(689,876)	(617,187)	72,689
Proceeds from Capital Lease	55,333	55,333	55,222	(111)
Sale of Capital Assets	-	-	4,815	4,815
TOTAL OTHER FINANCING SOURCES (USES)	(634,543)	(634,543)	(557,150)	77,393
NET CHANGES IN FUND BALANCES	(437,739)	(437,739)	24,817	462,556
FUND BALANCES, Beginning of Year	927,744	927,744	927,744	-
FUND BALANCES, End of Year	\$ 490,005	490,005	952,561	\$ 462,556

Note: The City's original and final budget reflected the use of fund balance of \$437,739 for 2011. Actual performance was considerably better than budget and no fund balance was used.

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, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Tax Revenue	\$ 912,000	912,000	1,090,350	\$ 178,350
Interest	5,000	5,000	3,642	(1,358)
TOTAL REVENUES	917,000	917,000	1,093,992	176,992
EXPENDITURES				
Current:				
General Government	395,950	395,950	406,011	10,061
Public Safety	2,500	2,500	2,500	-
Public Works	14,500	14,500	18,388	3,888
Recreation:				
Recreation Department	35,000	35,000	22,971	(12,029)
Non-Departmental:				
Public Restrooms	156,332	156,332	148,972	(7,360)
Capital Outlay	166,333	166,333	126,917	(39,416)
Debt Service:				
Principal	61,480	61,480	61,122	(358)
Interest	9,271	9,271	9,271	-
TOTAL EXPENDITURES	841,366	841,366	796,152	(45,214)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	75,634	75,634	297,840	222,206
OTHER FINANCING SOURCES (USES)				
Transfers Out	(341,284)	(341,284)	(265,751)	75,533
Proceeds from Capital Lease	55,333	55,333	55,222	(111)
Sale of Capital Assets	2,750	2,750	1,500	(1,250)
TOTAL OTHER FINANCING SOURCES (USES)	(283,201)	(283,201)	(209,029)	74,172
NET CHANGES IN FUND BALANCES	(207,567)	(207,567)	88,811	296,378
FUND BALANCES, Beginning of Year	1,028,207	1,028,207	1,028,207	-
FUND BALANCES, End of Year	\$ 820,640	820,640	1,117,018	\$ 296,378

Note: The City's original and final budget reflected the use of fund balance of \$207,567 for 2011. Actual performance was considerably better than budget and no fund balance was used.

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, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Hospitality Taxes	\$ 429,000	429,000	507,242	\$ 78,242
Interest	2,500	2,500	2,158	(342)
TOTAL REVENUES	431,500	431,500	509,400	77,900
EXPENDITURES				
Current:				
Building, Planning, and Engineering	14,410	14,410	13,527	(883)
Public Works	69,472	69,472	60,685	(8,787)
Capital Outlay	74,000	74,000	67,246	(6,754)
Debt Service:				
Principal	84,000	84,000	84,000	-
Interest	75,650	75,650	75,650	-
TOTAL EXPENDITURES	317,532	317,532	301,108	(16,424)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	113,968	113,968	208,292	94,324
OTHER FINANCING SOURCES (USES)				
Transfers Out	(399,586)	(399,586)	(398,018)	1,568
TOTAL OTHER FINANCING SOURCES (USES)	(399,586)	(399,586)	(398,018)	1,568
NET CHANGES IN FUND BALANCES	(285,618)	(285,618)	(189,726)	95,892
FUND BALANCES, Beginning of Year	647,641	647,641	647,641	-
FUND BALANCES, End of Year	\$ 362,023	362,023	457,915	\$ 95,892

Note: The City's original and final budget reflected the use of fund balance of \$285,618 for 2011. Actual performance was considerably better than budget and only \$189,726 of fund balance was used.

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, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Contributions	\$ 799,400	799,400	135,112	\$ (664,288)
Interest	8,000	8,000	3,486	(4,514)
TOTAL REVENUES	807,400	807,400	138,598	(668,802)
EXPENDITURES				
Current:				
General Government	101,600	101,600	78,035	(23,565)
Non-Departmental	705,800	705,800	60,563	(645,237)
Debt Service:				
Principal	278,567	278,567	278,567	-
Interest	36,915	36,915	36,915	-
TOTAL EXPENDITURES	1,122,882	1,122,882	454,080	(668,802)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(315,482)	(315,482)	(315,482)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	315,482	315,482	315,482	-
TOTAL OTHER FINANCING SOURCES (USES)	315,482	315,482	315,482	-
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCES, Beginning of Year	-	-	-	-
FUND BALANCES, End of Year	\$ -	-	-	\$ -

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.



CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

JUNE 30, 2011

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
ASSETS		
Cash and Cash Equivalents	\$ -	-
Cash and Cash Equivalents - Restricted	13,703	16,389
Investments - Restricted	-	-
Accounts Receivable	-	-
Due from other funds	-	-
TOTAL ASSETS	\$ 13,703	16,389
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ -	-
Due to other funds	-	-
TOTAL LIABILITIES	-	-
FUND BALANCES		
Restricted	13,703	16,389
Assigned	-	-
TOTAL FUND BALANCES	13,703	16,389
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,703	16,389

VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	BEACH MAINTENANCE FUND	TOTAL NON-MAJOR FUNDS
-	2,517	-	-	\$ 2,517
89,472	-	69,825	-	189,389
-	-	18,669	-	18,669
-	27,998	-	-	27,998
1,097	-	-	-	1,097
90,569	30,515	88,494	-	\$ 239,670

107	-	-	-	\$ 107
2,843	10,077	-	-	12,920
2,950	10,077	-	-	13,027

87,619	-	-	-	117,711
-	20,438	88,494	-	108,932
87,619	20,438	88,494	-	226,643
90,569	30,515	88,494	-	\$ 239,670

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, 2011

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
REVENUES		
Fines and Forfeits	\$ -	-
Interest	28	43
Grant revenue	-	-
Other	-	-
TOTAL REVENUES	28	43
EXPENDITURES		
Current:		
General Government	-	-
Public Safety	10	10
Recreation	-	-
Capital Outlay	-	-
TOTAL EXPENDITURES	10	10
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	18	33
OTHER FINANCING SOURCES (USES)		
Transfers (Out)	-	-
Sale of Capital Assets	2,130	-
TOTAL OTHER FINANCING SOURCES (USES)	2,130	-
NET CHANGE IN FUND BALANCES	2,148	33
FUND BALANCES, Beginning of Year	11,555	16,356
Reclassification of Fund Balances - GASB #54	-	-
FUND BALANCE, Beginning of Year	11,555	16,356
FUND BALANCES, End of Year	\$ 13,703	16,389

VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	BEACH MAINTENANCE FUND	TOTAL NON-MAJOR FUNDS
12,564	-	-	-	\$ 12,564
298	79	307	-	755
-	27,998	-	-	27,998
-	421	3,870	-	4,291
12,862	28,498	4,177	-	45,608
-	398	-	-	398
4,069	-	-	-	4,089
-	-	63	-	63
-	53,810	-	-	53,810
4,069	54,208	63	-	58,360
8,793	(25,710)	4,114	-	(12,752)
(28,652)	-	-	-	(28,652)
-	-	-	-	2,130
(28,652)	-	-	-	(26,522)
(19,859)	(25,710)	4,114	-	(39,274)
107,478	46,148	84,380	115,931	381,848
-	-	-	(115,931)	(115,931)
107,478	46,148	84,380	-	265,917
87,619	20,438	88,494	-	\$ 226,643

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	2011		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
PROPERTY TAXES	\$ 4,192,824	4,252,025	\$ 59,201
LOCAL OPTION SALES TAX	508,000	491,091	(16,909)
INTERGOVERNMENTAL			
State Aid to Subdivisions	106,713	93,054	(13,659)
State Accommodations Tax Administrative Fee	72,980	82,387	9,407
State Shared Funds - Alcohol	36,000	38,750	2,750
Intergovernmental Transfers	39,084	39,032	(52)
Total Intergovernmental	254,777	253,223	(1,554)
LICENSES AND PERMITS			
Business Licenses	562,000	570,226	8,226
Residential Rental Licenses	464,000	455,713	(8,287)
Insurance Licenses	640,000	613,558	(26,442)
Public Utilities	412,000	446,168	34,168
Building Permits	106,000	92,210	(13,790)
Telecommunication Licenses	42,000	37,315	(4,685)
Alarm Permits	1,500	1,480	(20)
Animal Licenses	1,200	2,356	1,156
Total Licenses and Permits	2,228,700	2,219,026	(9,674)
FINES AND FORFEITS	110,000	123,752	13,752
INTEREST			
Interest Income	36,000	17,950	(18,050)
Court Generated Interest	500	355	(145)
Total Interest	36,500	18,305	(18,195)
REVENUES FROM USE OF PROPERTIES			
Parking Lot Revenue	88,000	105,440	17,440
Parking Meter Revenue	233,000	234,010	1,010
Total Revenues From Use of Properties	321,000	339,450	18,450
OTHER REVENUES			
Recreation Program Income	90,000	100,721	10,721
Recreation Instructors Income	\$ 100,000	124,670	\$ 24,670

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	2011		
	FINAL BUDGET	ACTUAL	VARIANCE
OTHER REVENUES (CONTINUED)			
Sales of Assets	\$ 2,250	8,436	\$ 6,186
Miscellaneous	1,950	8,820	6,870
Cart Purchase Revenue	3,750	3,100	(650)
Boat Ramp Fees	1,000	500	(500)
Recycling Revenue	4,200	858	(3,342)
Kennel Fees	175	113	(62)
Total Other Revenues	203,325	247,218	43,893
TOTAL REVENUES	\$ 7,855,126	7,944,090	\$ 88,964
EXPENDITURES			
GENERAL GOVERNMENT			
<u>Mayor and Council:</u>			
Salaries	\$ 17,000	17,000	\$ -
Payroll Taxes	1,301	1,301	-
Workers Compensation	-	162	162
Meetings and Seminars	10,000	6,953	(3,047)
Vehicle, Fuel, and Oil	1,200	377	(823)
Telephone	1,680	1,242	(438)
Insurance	2,093	2,352	259
Miscellaneous and Contingency	6,000	3,689	(2,311)
Citizens and Employee Services	4,500	2,781	(1,719)
Total Mayor and Council	43,774	35,857	(7,917)
ADMINISTRATION			
Salaries - Supervisors	303,393	305,819	2,426
Salaries - Employees	13,478	5,912	(7,566)
Payroll Taxes	24,241	22,735	(1,506)
Retirement	29,754	29,381	(373)
Group Health Insurance	34,808	34,809	1
Workers Compensation	7,285	2,751	(4,534)
Print and Office Supplies	13,800	8,522	(5,278)
Bank Service Charges	-	70	70
Membership and Dues	4,224	3,953	(271)
Membership and Seminars	4,000	3,702	(298)
Vehicle, Fuel, and Oil	3,200	2,671	(529)
Electric and Gas	7,516	5,496	(2,020)
Telephone and Cable	\$ 10,500	9,228	\$ (1,272)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	2011		
	FINAL BUDGET	ACTUAL	VARIANCE
ADMINISTRATION (CONTINUED)			
Water and Sewer	\$ 2,700	3,025	\$ 325
Noncapital Tools and Equipment	1,250	555	(695)
Maintenance and Service Contracts	26,991	48,437	21,446
Machine and Equipment Repair	1,500	646	(854)
Cleaning and Sanitary Supplies	3,700	2,839	(861)
Storm Preparation & Cleanup	3,000	-	(3,000)
Medical and Lab	800	669	(131)
LTD Insurance	1,426	1,440	14
Advertising	15,000	5,156	(9,844)
Insurance	20,376	15,366	(5,010)
Rent and Leases	11,920	9,241	(2,679)
Employee Training	15,500	1,546	(13,954)
Professional Services	87,252	34,031	(53,221)
Miscellaneous	20,350	8,481	(11,869)
Total Administration	667,964	566,481	(101,483)
JUDICIAL AND LEGAL			
Salaries - Full-time	47,056	49,505	2,449
Salaries - Overtime	4,277	615	(3,662)
Salaries - Part-time	21,000	21,058	58
Payroll Taxes	5,533	5,222	(311)
Retirement	6,792	6,684	(108)
Group Health Insurance	6,879	6,879	-
Workers Compensation	1,387	756	(631)
Print and Office Supplies	5,000	3,440	(1,560)
Bank Service Charges	700	-	(700)
Membership and Dues	400	115	(285)
Membership and Seminars	1,000	893	(107)
Telephone and Cable	3,600	3,364	(236)
Maintenance and Service Contracts	5,440	4,770	(670)
LTD Insurance	231	229	(2)
Insurance	573	460	(113)
Employee Training	3,500	1,058	(2,442)
Professional Services	45,500	54,332	8,832
Non-capital Tools & Equipment	200	164	(36)
Miscellaneous and Contingency	600	158	(442)
Total Judicial and Legal	159,668	159,702	34
TOTAL GENERAL GOVERNMENT	\$ 871,406	762,040	\$ (109,366)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	2011		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY			
<u>Police Department:</u>			
Salaries - Supervisors	\$ 1,195,837	1,154,440	\$ (41,397)
Salaries - Employees	102,962	68,747	(34,215)
Payroll Taxes	99,358	90,669	(8,689)
Retirement	141,806	133,989	(7,817)
Group Health Insurance	242,809	226,191	(16,618)
Workers Compensation	45,358	22,994	(22,364)
Unemployment Compensation	-	3,096	3,096
Print and Office Supplies	15,420	15,306	(114)
Membership and Dues	1,295	1,422	127
Membership and Seminars	6,600	5,712	(888)
Vehicle, Fuel, and Oil	90,625	74,177	(16,448)
Vehicle Maintenance	27,000	27,847	847
Electric and Gas	8,206	11,549	3,343
Telephone and Cable	35,136	33,886	(1,250)
Water and Sewer	5,500	3,431	(2,069)
Noncapital Tools and Equipment	2,000	1,645	(355)
Maintenance and Service Contracts	34,580	34,035	(545)
Machine and Equipment Repair	6,000	6,929	929
Uniforms	18,015	18,967	952
Cleaning and Sanitary Supplies	2,000	1,436	(564)
Medical and Lab	5,500	5,311	(189)
LTD Insurance	5,845	5,612	(233)
Insurance	65,481	52,029	(13,452)
Rent and Leases	2,600	2,090	(510)
Employee Training	8,980	9,277	297
Professional Services	7,250	4,018	(3,232)
Miscellaneous and Contingency	3,750	3,741	(9)
Canine Kennel Expenses	1,000	612	(388)
Total Police Department	2,180,913	2,019,158	(161,755)
<u>Fire Department:</u>			
Salaries - Supervisors	1,175,757	1,162,593	(13,164)
Salaries - Employees	190,449	194,480	4,031
Salaries - Part Time	43,843	43,240	(603)
Payroll Taxes	107,869	104,635	(3,234)
Retirement	162,045	161,819	(226)
Group Health Insurance	247,645	227,544	(20,101)
Workers Compensation	46,126	25,336	(20,790)
Unemployment Compensation	\$ -	667	\$ 667

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	2011		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY (CONTINUED)			
<u>Fire Department: (Continued)</u>			
Print and Office Supplies	\$ 8,000	5,597	\$ (2,403)
Membership and Dues	2,000	1,815	(185)
Membership and Seminars	3,000	89	(2,911)
Vehicle, Fuel, and Oil	27,500	19,547	(7,953)
Vehicle Maintenance	50,000	36,313	(13,687)
Electric and gas	22,706	27,799	5,093
Telephone and Cable	36,108	36,739	631
Water and Sewer	10,000	7,689	(2,311)
Noncapital Tools and Equipment	6,500	1,668	(4,832)
Maintenance and Service Contracts	29,235	32,788	3,553
Machine and Service Repairs	10,000	10,154	154
Uniforms	23,000	20,822	(2,178)
Cleaning and Sanitary Supplies	5,000	2,468	(2,532)
Medical and Lab	17,000	14,189	(2,811)
LTD Insurance	6,148	6,151	3
Insurance	70,468	66,805	(3,663)
Rent and Leases	2,500	3,435	935
Employee Training	17,000	11,117	(5,883)
Professional Services	4,160	6,250	2,090
Miscellaneous and Contingency	7,000	3,656	(3,344)
Volunteer Point Allocation	4,000	2,083	(1,917)
Total Fire Department	2,335,059	2,237,488	(97,571)
TOTAL PUBLIC SAFETY	4,515,972	4,256,646	(259,326)
BUILDING, PLANNING, AND ENGINEERING			
Salaries - Supervisors	188,806	188,556	(250)
Salaries - Employees	3,632	160	(3,472)
Payroll Taxes	14,722	13,574	(1,148)
Retirement	18,070	17,721	(349)
Group Health Insurance	36,238	36,345	107
Workers Compensation	4,232	1,597	(2,635)
Print and Office Supplies	10,500	10,162	(338)
Membership and Dues	1,500	917	(583)
Membership and Seminars	1,000	459	(541)
Vehicle, Fuel, and Oil	5,049	3,734	(1,315)
Vehicle Maintenance	1,000	131	(869)
Electric and Gas	3,202	3,180	(22)
Telephone and Cable	\$ 5,330	4,498	\$ (832)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	2011		
	FINAL BUDGET	ACTUAL	VARIANCE
BUILDING, PLANNING, AND ENGINEERING (CONTINUED)			
Water and Sewer	\$ 1,320	1,313	\$ (7)
Non-Capital Tools & Equipment	500	16	(484)
Maintenance and Service Contracts	5,540	3,254	(2,286)
Machine and Equipment Repair	500	589	89
Uniforms	750	33	(717)
Cleaning and Sanitary Supplies	500	374	(126)
Medical and Lab	300	110	(190)
LTD Insurance	866	866	-
Insurance	5,135	8,575	3,440
Rent and Leases	3,180	2,051	(1,129)
Employee Training	2,500	1,063	(1,437)
Professional Services	9,000	4,610	(4,390)
Miscellaneous and Contingency	750	219	(531)
TOTAL BUILDING, PLANNING AND ENGINEERING	324,122	304,107	(20,015)
PUBLIC WORKS			
Salaries - Supervisors	402,254	390,128	(12,126)
Salaries - Employees	7,447	1,790	(5,657)
Payroll Taxes	31,342	29,295	(2,047)
Retirement	38,471	36,801	(1,670)
Group Health Insurance	76,605	72,850	(3,755)
Workers Compensation	19,441	10,553	(8,888)
Unemployment Compensation	-	11	11
Print and Office Supplies	1,000	463	(537)
Membership and Dues	400	400	-
Meetings and Seminars	500	-	(500)
Vehicle, Fuel, and Oil	75,313	57,492	(17,821)
Vehicle Maintenance	85,000	74,582	(10,418)
Electric and Gas	72,906	73,181	275
Telephone and Cable	7,500	7,114	(386)
Water and Sewer	3,500	1,627	(1,873)
Noncapital Tools and Equipment	2,000	1,065	(935)
Maintenance and Service Contracts	5,000	1,996	(3,004)
Machine and Equipment Repair	5,000	4,099	(901)
Uniforms	6,000	5,567	(433)
Cleaning and Sanitary Supplies	2,000	1,924	(76)
Medical and Lab	3,000	3,035	35
LTD Insurance	1,844	1,811	(33)
Street Signs	4,000	2,273	(1,727)
Insurance	\$ 31,414	27,068	\$ (4,346)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	2011		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS (CONTINUED)			
Rent and Leases	\$ 500	3,718	\$ 3,218
Employee Training	1,900	162	(1,738)
Professional Services	3,000	832	(2,168)
Temporary Labor	162,614	160,049	(2,565)
Contracted Services	37,000	31,815	(5,185)
Miscellaneous and Contingency	1,250	490	(760)
Garbage Cart - Procurement	6,600	6,996	396
TOTAL PUBLIC WORKS	1,094,801	1,009,187	(85,614)
RECREATION			
<u>Recreation Department:</u>			
Salaries - Supervisors	273,884	273,902	18
Salaries - Employees	10,593	1,384	(9,209)
Salaries - Part Time	143,464	142,023	(1,441)
Payroll Taxes	32,737	31,911	(826)
Retirement	28,782	27,342	(1,440)
Group Health Insurance	48,153	47,580	(573)
Workers Compensation	7,033	4,008	(3,025)
Unemployment Compensation	-	2,062	2,062
Print and Office Supplies	9,500	7,818	(1,682)
Membership and Dues	1,600	1,203	(397)
Membership and Seminars	2,000	766	(1,234)
Vehicle, Fuel, and Oil	4,938	3,399	(1,539)
Vehicle Maintenance	2,400	1,359	(1,041)
Electric and Gas	37,277	35,649	(1,628)
Telephone and Cable	11,100	10,585	(515)
Water and Sewer	4,800	3,621	(1,179)
Noncapital Tools and Equipment	2,000	797	(1,203)
Maintenance and Service Contracts	30,000	28,129	(1,871)
Machine and Equipment Repair	2,500	1,353	(1,147)
Uniforms	1,950	1,790	(160)
Cleaning and Sanitary Supplies	4,500	4,232	(268)
Medical and Lab	1,000	426	(574)
LTD Insurance	1,280	1,261	(19)
Insurance	31,306	29,537	(1,769)
Rent and Leases	4,000	3,378	(622)
Employee Training	3,300	2,633	(667)
Miscellaneous and Contingency	4,500	1,534	(2,966)
Total Recreation Department	\$ 704,597	669,682	\$ (34,915)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	2011		
	FINAL BUDGET	ACTUAL	VARIANCE
RECREATION (CONTINUED)			
<u>Recreation Instruction:</u>			
Four Year Old Play Group	\$ 750	492	\$ (258)
Gymnastics	2,500	2,310	(190)
Special Activities	19,500	18,601	(899)
Day Camp	12,000	14,329	2,329
Karate	2,000	1,272	(728)
Aerobics	8,000	5,109	(2,891)
Adult Sports	14,000	13,879	(121)
Youth Sports	27,000	26,779	(221)
Keenagers	3,000	2,691	(309)
Total Recreation Instruction	<u>88,750</u>	<u>85,462</u>	<u>(3,288)</u>
TOTAL RECREATION	<u>793,347</u>	<u>755,144</u>	<u>(38,203)</u>
NON-DEPARTMENTAL			
Parking Meters			
Salaries - Overtime	-	255	255
Salaries - Part Time	28,500	28,074	(426)
Payroll Taxes	2,180	2,065	(115)
Retirement	-	21	21
Group Health Insurance	-	1,200	1,200
Workers Compensation	672	189	(483)
Total Parking Meters	<u>31,352</u>	<u>31,804</u>	<u>452</u>
TOTAL NON-DEPARTMENTAL	<u>31,352</u>	<u>31,804</u>	<u>452</u>
DEBT SERVICE			
Principal	378,000	378,000	-
Interest	358,114	358,114	-
TOTAL DEBT SERVICE	<u>736,114</u>	<u>736,114</u>	<u>-</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 8,367,114</u>	<u>7,855,042</u>	<u>\$ (512,072)</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY TYPE - ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2011

	GENERAL GOVERNMENT		
	MAYOR AND COUNCIL	ADMIN- ISTRATION	JUDICIAL AND LEGAL
Salaries - Full-time	\$ 17,000	305,819	49,505
Salaries - Overtime	-	5,912	615
Salaries - Part Time	-	-	21,058
Payroll Taxes	1,301	22,735	5,222
Retirement	-	29,381	6,684
Group Health Insurance	-	34,809	6,879
Workers Compensation	162	2,751	756
Unemployment Compensation	-	-	-
Print and Office Supplies	-	8,522	3,440
Membership and Dues	-	3,953	115
Meeting and Seminars	6,953	3,702	893
Vehicle, Fuel, and Oil	377	2,671	-
Vehicle Maintenance	-	-	-
Electric and gas	-	5,496	-
Telephone and Cable	1,242	9,228	3,364
Water and Sewer	-	3,025	-
Noncapital Tools and Equipment	-	555	164
Maintenance and Service Contract	-	48,437	4,770
Machine and Equipment Repair	-	646	-
Uniforms	-	-	-
Cleaning and Sanitary Supplies	-	2,839	-
Storm Preparation & Cleanup	-	-	-
Medical and Lab	-	669	-
LTD Insurance	-	1,440	229
Advertising	-	5,156	-
Street Signs	-	-	-
Insurance	2,352	15,366	460
Advertising	-	9,241	-
Employee Training	-	1,546	1,058
Professional Services	-	34,031	54,332
Temporary Labor	-	-	-
Contracted Services	-	-	-
Miscellaneous and Contingency	3,689	8,481	158
Volunteer Point Allocation	-	-	-
Citizens and Employee Services	2,781	-	-
Canine Kennel Expenses	-	-	-
Recreation Instruction Expense	-	-	-
Garbage Cart Procurement	-	-	-
Bank Service Charges	-	70	-
TOTAL DEPARTMENTAL EXPENDITURES	\$ 35,857	566,481	159,702

PUBLIC SAFETY		BUILDING,	PUBLIC		NON DEPART-	2011
POLICE	FIRE	PLANNING AND	WORKS		MENTAL	
DEPARTMENT	DEPARTMENT	ENGINEERING	DEPARTMENT	RECREATION	PARKING	TOTAL
					METERS	
1,154,440	1,162,593	188,556	390,128	273,902	-	\$ 3,541,943
68,747	194,480	160	1,790	1,384	255	273,343
-	43,240	-	-	142,023	28,074	234,395
90,669	104,635	13,574	29,295	31,911	2,065	301,407
133,989	161,819	17,721	36,801	27,342	21	413,758
226,191	227,544	36,345	72,850	47,580	1,200	653,398
22,994	25,336	1,597	10,553	4,008	189	68,346
3,096	667	-	11	2,062	-	5,836
15,306	5,597	10,162	463	7,818	-	51,308
1,422	1,815	917	400	1,203	-	9,825
5,712	89	459	-	766	-	18,574
74,177	19,547	3,734	57,492	3,399	-	161,397
27,847	36,313	131	74,582	1,359	-	140,232
11,549	27,799	3,180	73,181	35,649	-	156,854
33,886	36,739	4,498	7,114	10,585	-	106,656
3,431	7,689	1,313	1,627	3,621	-	20,706
1,645	1,668	16	1,065	797	-	5,910
34,035	32,788	3,254	1,996	28,129	-	153,409
6,929	10,154	589	4,099	1,353	-	23,770
18,967	20,822	33	5,567	1,790	-	47,179
1,436	-	374	1,924	4,232	-	10,805
-	2,468	-	-	-	-	2,468
5,311	14,189	110	3,035	426	-	23,740
5,612	6,151	866	1,811	1,261	-	17,370
-	-	-	-	-	-	5,156
-	-	-	2,273	-	-	2,273
52,029	66,805	8,575	27,068	29,537	-	202,192
2,090	3,435	2,051	3,718	3,378	-	23,913
9,277	11,117	1,063	162	2,633	-	26,856
4,018	6,250	4,610	832	-	-	104,073
-	-	-	160,049	-	-	160,049
-	-	-	31,815	-	-	31,815
3,741	3,656	219	490	1,534	-	21,968
-	2,083	-	-	-	-	2,083
-	-	-	-	-	-	2,781
612	-	-	-	-	-	612
-	-	-	-	85,462	-	85,462
-	-	-	6,996	-	-	6,996
-	-	-	-	-	-	70
<u>2,019,158</u>	<u>2,237,488</u>	<u>304,107</u>	<u>1,009,187</u>	<u>755,144</u>	<u>31,804</u>	<u>7,118,928</u>
					Debt Service	736,114
						<u>\$ 7,855,042</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2011

Court Fines

Court Fines Collected	\$ 123,752
Court Fines Retained by the City	(123,752)
Total Court Fines Remitted to State Treasurer	<u><u>\$ -</u></u>

Court Assessments

Court Assessments Collected	\$ 54,816
Total Court Assessments Remitted to the State Treasurer	<u><u>\$ 54,816</u></u>

Court Surcharges

Court Surcharges Collected	\$ 29,070
Total Court Surcharges Remitted to the State Treasurer	<u><u>\$ 29,070</u></u>

Court Pullouts

Court Pullouts Collected	\$ 900
Total Court Pullouts Remitted to the State Treasurer	<u><u>\$ 900</u></u>

Victims' Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$ 107,478
Court Assessments and Surcharges Allocated to Victim Assistance Fund	12,564
Interest Earned	298
Victims' Assistance Fund Expenditures	(4,069)
Victims' Assistance Transfers Out	(28,652)
Funds Available for Carryforward, End of Year	<u><u>\$ 87,619</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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the 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.

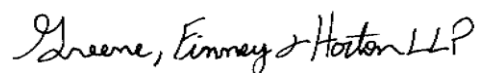
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

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*.

We noted a certain matter that that we reported to management of the City in a separate letter dated October 4, 2011.

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
Mauldin, South Carolina
October 4, 2011