

**TOWN OF SULLIVAN'S ISLAND,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2009

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**TOWN OF SULLIVAN'S ISLAND,
SOUTH CAROLINA**

LIST OF ELECTED AND APPOINTED OFFICIALS

YEAR ENDED JUNE 30, 2009

MAYOR

Carl Smith

CITY COUNCIL MEMBERS

Pat O'Neil, Mayor Pro Tem

Charles "Buddy" Howle

Gerald "Jerry" Kaynard

Madeleine McGee

Mike Perkis

Mary Jane Watson

APPOINTED OFFICIALS

Town Administrator	Andy Benke
Comptroller	Jason Blanton
Building & Zoning Administration	Randy Robinson
Fire Chief	Anthony Stith
Chief of Police	Dan Howard
Water & Sewer, General Manager	Greg Gress
Town Attorney	Lawrence Dodds

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of Town Council
Town of Sullivan's Island
Sullivan's Island, 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 Town of Sullivan's Island, South Carolina (the "Town"), as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town'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 Town of Sullivan's Island, South Carolina, as of June 30, 2009, 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 September 2, 2009, on our consideration of the Town'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 schedule 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 Town's basic financial statements. The introductory section and other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 2, 2009

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

As management of the Town of Sullivan's Island ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in the basic financial statements and notes to the basic financial statements to enhance their understanding the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year by approximately \$9,599,000 (*net assets*). Of this amount, approximately \$2,942,000 and \$6,657,000 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net assets (may be used to meet the government's ongoing obligations to citizens and creditors) were approximately \$1,360,000 for its governmental activities and approximately \$470,000 for its business-type activities.
- The government's total net assets increased by approximately \$296,000 for governmental activities and the net assets for the business-type activities decreased by approximately \$238,000 for business-type activities, as total revenue of approximately \$4,739,000 exceeded total expenses of approximately \$4,681,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$3,522,000, an increase of approximately \$52,000 over the prior year's fund balance. Approximately 84% of this total amount, or approximately \$2,944,000, is available for spending at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was approximately \$2,944,000, or 83% of total General Fund expenditures for the year ended June 30, 2009.
- The Town's total capital assets decreased by approximately \$289,000 (4%) during the current fiscal year primarily due to depreciation expense of approximately \$570,000 partially offset by capital asset additions of approximately \$281,000. Capital asset additions were primarily related to the purchase of utility projects, financial software and equipment.
- The Town's total debt (including lease purchases) decreased by approximately \$458,000 (17%) during the current year due to scheduled principal payments and paying off the principal balances on all the outstanding capital leases.

OVERVIEW OF FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-Wide Basic Financial Statements. The basic financial statements include two kinds of statements that present different views of the Town. The *government-wide basic financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town'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 Town is improving or deteriorating.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide basic financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include public works, public safety, and general government. Taxes, business licenses, building permits, fines, and state and federal grant revenues finance most of these activities. The business-type activities are the Town's water and sewer operations for which it charges its customers a fee to provide.

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 Town'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 Town, 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 Town's budget ordinance. All of the funds of the Town 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 basic financial statements. Most of the Town'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 basic 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 Town's programs. The relationship between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund basic financial statements.

The Town maintained five (5) 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, State Accommodations Tax Fund, Local Accommodations Tax Fund, Local Hospitality Tax Fund, and the Tree Bank Fund. The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds – The Town 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 Town uses two enterprise funds to account for both its water and sewer 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 basic financial statements because the resources of those funds are not available to support the Town's own programs. *Agency Funds* are used to account for assets the Town holds on behalf of others. The Town's Volunteer Fire Department Fund is used by the Town 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.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

OVERVIEW OF 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 basic 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. Regarding the Town’s major governmental funds, the Town adopts an annual budget for its General Fund, as required by the General Statutes. A required budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with its budget. Required supplementary information can be found as listed in the table of contents.

Other supplementary information, which includes a budgetary schedule of expenditures for the General Fund, enterprise budgetary comparison schedules, and a schedule of fines, assessments, and surcharges, 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 Town of Sullivan’s Island Government-Wide and Fund Basic Financial Statements				
	Fund Basic Financial Statements			
	Government-Wide Basic Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds).	The activities of the Town that are not proprietary or fiduciary.	Activities the Town operates similar to private businesses.	Instances in which the Town is the trustee or agent for someone else’s resources.
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 net assets ▪ Statement of changes in fiduciary net assets (not required for agency funds)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term.
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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net assets for 2009 compared to 2008:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and Other Assets	\$ 3,645,376	3,560,811	630,881	742,580	4,276,257	\$ 4,303,391
Capital Assets, Net	1,140,471	1,231,021	6,820,353	7,018,457	7,960,824	8,249,478
Total Assets	4,785,847	4,791,832	7,451,234	7,761,037	12,237,081	12,552,869
Liabilities:						
Long-Term Obligations	1,719,425	2,047,722	661,140	782,514	2,380,565	2,830,236
Other Liabilities	124,495	98,669	132,644	82,704	257,139	181,373
Total Liabilities	1,843,920	2,267,339	793,784	865,218	2,637,704	3,011,609
Net Assets:						
Invested in Capital Assets, Net of Related Debt (1)	1,140,471	1,028,843	6,186,795	6,258,789	5,677,266	5,507,632
Restricted	441,450	690,305	-	-	441,450	690,305
Unrestricted (1)	1,360,006	926,293	470,655	637,030	3,480,661	3,343,323
Total Net Assets	\$ 2,941,927	\$ 2,645,441	6,657,450	6,895,819	9,599,377	\$ 9,541,260

(1) The total for Invested in Capital Assets, Net of Related Debt and Unrestricted Net Assets for both years does not add/foot across. See Note III.F for details.

The Town's total assets of approximately \$12,237,000 decreased approximately \$316,000 over the prior year. The decrease is primarily due to lower capital asset balances related to depreciation expense. Total liabilities at June 30, 2009 decreased by approximately \$374,000 from the prior year due to principal payments made during the year on the Town's long-term obligations.

The Town's net assets increased by approximately \$58,000 during the current fiscal year due to current year revenue exceeding current year expenses. Please see discussion following the next table regarding this increase.

The Town's assets exceeded liabilities by approximately \$9,599,000 at June 30, 2009. The largest portion of the Town's net assets of approximately \$5,677,000 (approximately 59%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, water/sewer infrastructure, etc.) less any related outstanding debt/lease purchase obligations used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets of approximately \$441,000 (approximately 5%) represents resources that are subject to external restrictions on how they may be used. These net assets are restricted primarily for special revenue programs which are restricted by the revenue source (i.e. hospitality tax, accommodations tax, etc.).

The remaining portion of the Town's net assets is unrestricted net assets of approximately \$3,481,000 (approximately 36%) may be used to meet the government's ongoing obligations to citizens and creditors.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008 *	2009	2008 *	2009	2008 *
Revenues:						
Program Revenues:						
Charges for Services	\$ 386,233	266,557	1,330,413	1,169,339	1,716,646	\$ 1,435,896
Capital Grants and Contributions	7,485	-	-	-	7,485	-
General Revenues:						
Taxes	2,802,367	2,601,706	-	-	2,802,367	2,601,706
Other	210,350	201,781	2,510	14,020	212,860	215,801
Total Revenues	3,406,435	3,070,044	1,332,923	1,183,359	4,739,358	4,253,403
Expenses:						
Public Works	496,606	453,626	-	-	496,606	453,626
Public Safety	1,613,343	1,417,553	-	-	1,613,343	1,417,553
General Government	1,124,182	960,415	-	-	1,124,182	960,415
Interest on Long-Term Obligations	74,334	80,053	-	-	74,334	80,053
Water	-	-	667,689	618,410	667,689	618,410
Sewer	-	-	705,087	633,938	705,087	633,938
Total Expenses	3,308,465	2,911,647	1,372,776	1,252,348	4,681,241	4,163,995
Change in Net Assets Before Transfers	97,970	158,397	(39,853)	(68,989)	58,117	89,408
Transfers In (Out)	198,516	(50,000)	(198,516)	50,000	-	-
Change in Net Assets	296,486	108,397	(238,369)	(18,989)	58,117	89,408
Net Assets - Beginning of Year	2,645,441	2,537,044	6,895,819	6,914,808	9,541,260	9,451,852
Net Assets - End of Year	\$ 2,941,927	2,645,441	6,657,450	6,895,819	9,599,377	\$ 9,541,260

* Reclassifications have been made in the prior year numbers to conform to the 2008 financial statement presentation.

Governmental Activities: Governmental activities increased the Town’s net assets by approximately \$296,000 in the current year.

Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

- Total governmental activities revenues increased by approximately \$336,000, or more than 11%, over the prior year.
- Total governmental activities expenses increased by approximately \$397,000, over the prior year.
- Transfer in (out) improved by approximately \$240,000 over the prior year.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities: Net assets for business-type activities (water and sewer services) decreased by approximately \$238,000.

A substantial portion of the decrease in the net assets for water and sewer services is due to the unexpected drop in usage. A large portion of the drop in usage was due to a break in the waterline through which Charleston Water Systems provides water to the island. The Town had to obtain water from Island of Palms for approximately a month and a half. Residents were not allowed to use irrigation during that time and the water pressure dropped. Although the line was repaired, the customer usage has not returned to normal. Since sewer rates are tied to water usage the sewer revenue was also affected.

Other contributing factors for the decrease in the net assets for water and sewer were:

- Additional expenses for repairs cost for the sewer system of approximately \$25,000.
- Additional engineering expenses during the year for the Sewer Fund of approximately \$11,000.
- A decrease in interest rates causing interest revenue to be approximately \$14,000 less than budgeted.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$3,522,000, an increase of approximately \$52,000 over the prior year fund balance. The increase in fund balance was the result of revenues of the Town exceeding its operating expenditures.

Approximately 84% or \$2,944,000 of the total governmental fund balance of approximately \$3,522,000 constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed (1) for prepaid expenses and inventory (\$102,000), (2) for tourism related expenditures or operating expenses incurred to serve tourists (\$354,000), (3) victims services (\$34,000), (4) tree bank program (\$34,000), and (5) for other purposes (\$54,000).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$3,134,000. As a measure of the General Fund's liquidity, it may be useful to compare total unreserved fund balance to total General Fund expenditures. Total unreserved undesignated fund balance of the General Fund (\$2,944,000) represents approximately 83% of total General Fund expenditures.

Highlights for the General Fund were as follows:

- Licenses and franchise fees came in over \$305,000 more than projected.
- All of the General Fund's capital leases were paid off during the current fiscal year.
- Without the additional \$118,000 used to pay off the capital leases, General Fund actual expenditures would have been approximately \$100,000 less than budgeted expenditures.
- Capital projects for the recreation department were approximately \$37,000 less than expected.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS (CONTINUED)

Proprietary Fund. The Town’s proprietary funds provide the same type of information found in the government-wide basic financial statements but in more detail. Net assets of the Water and Sewer Enterprise Funds at the end of the fiscal year amounted to approximately \$6,657,000. Please see the earlier discussion of the business-type activities change in net assets in the government-wide financial analysis section of this MD&A for more details.

Fiduciary Funds. The Town’s Volunteer Fire Department Fund is used by the Town to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by fire insurance companies. Agency funds are custodial in nature and do not present results of operations. The Fiduciary Fund had amounts held for custody of others of approximately \$99,000 at June 30, 2009.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town’s investment in capital assets as of June 30, 2009 and June 30, 2008, amounted to approximately \$7,961,000 and \$8,249,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, sewer/water lines, and other infrastructure. The Town’s capital assets (net of depreciation) as of June 30, 2009 and 2008 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 37,392	37,392	-	-	37,392	\$ 37,392
Building and Improvements	215,012	196,195	-	-	215,012	196,195
Machinery and Equipment	264,460	280,818	-	-	264,460	280,818
Vehicles and Vehicle Equipment	272,414	354,297	-	-	272,414	354,297
Vehicles, Machinery, and Equipment	-	-	242,147	308,059	242,147	308,059
Fire and Emergency Command System	351,193	362,319	-	-	351,193	362,319
Water/Sewer System	-	-	6,578,206	6,710,398	6,578,206	6,710,398
Total	<u>\$ 1,140,471</u>	<u>1,231,021</u>	<u>6,820,353</u>	<u>7,018,457</u>	<u>7,960,824</u>	<u>\$ 8,249,478</u>

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The total decrease in the Town’s investment in capital assets for the current fiscal year was approximately \$288,000 or less than 4%. Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$100,000 for governmental activities which consisted primarily of the following:
 - Purchase of financial software, which includes applications for building permits and business licenses, for approximately \$40,000.
 - Purchase of fire equipment for approximately \$15,000.
 - Donation of an SC Department of Transportation certified electric vehicle for public safety use with an approximate value of \$8,000.
 - Improvements to the band stand and other Town structures of approximately \$37,000.
- Capital asset additions of approximately \$180,000 for business-type activities which consisted primarily of the following:
 - Waterline project – portion completed in 2009 for approximately \$148,000.
 - Sewer line improvements and manhole replacements for approximately \$22,000.
 - Utility billing software for approximately \$10,000.
- Depreciation expense of approximately \$191,000 for governmental activities and \$378,000 of depreciation expense for business-type activities.

Additional information regarding the Town’s capital assets can be found in Note III.D in the notes to the basic financial statements.

Debt Administration

As of June 30, 2009 and June 30, 2008, the Town had total outstanding debt (including lease purchases) of approximately \$2,290,000 and \$2,749,000, respectively. Of the Town’s total long-term obligations, approximately \$1,650,000 was general obligation debt which is backed by the full faith and credit of the Town. The Town’s total debt and lease purchases as of June 30, 2009 and 2008 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Debt:						
General Obligation Bond	\$ 1,650,000	1,780,000	-	-	1,650,000	\$ 1,780,000
Revenue Bond	-	-	640,000	683,000	640,000	683,000
Total Debt	1,650,000	1,780,000	640,000	683,000	2,290,000	2,463,000
Lease Purchases	-	202,178	-	83,754	-	285,932
Total Debt and Lease Purchases	\$ 1,650,000	1,982,178	640,000	766,754	2,290,000	\$ 2,748,932

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

The total decrease in the Town's debt and lease purchase obligations for the current fiscal year was approximately \$459,000 or 17%. Major events during the current fiscal year included the following:

- The Town's governmental activities had scheduled principal payments on debt and lease purchase obligations of approximately \$130,000 and \$88,000, respectively. Additional principal payments of approximately \$114,000 were made to pay-off the outstanding capital leases of the governmental activities.
- The Town's business-type activities had scheduled principal payments on debt and lease purchase obligations of approximately \$43,000 and \$40,000, respectively. Additional principal payments of approximately \$43,000 were made to pay-off the outstanding capital leases of the business-type activities.

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 Town's statutory debt limit at June 30, 2008 was approximately \$4,800,000. The Town had \$1,650,000 of bonded debt subject to the 8% limit and thus resulted in the Town having an unused legal debt margin of approximately \$3,150,000.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN

The Town's elected officials and staff considered many factors when setting the fiscal year 2010 budget. The state of the economy, tourism activity, anticipated building activity, future capital needs, and the best interests of the Town's residents were all taken into account. Key budget highlights were as follows:

- No millage increase.
- Continuation of the water line replacement project.
- Hiring of additional firefighters.

REQUESTS FOR TOWN INFORMATION

This financial report is designed to provide a general overview of the Town of Sullivan's Island's 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 Town Comptroller, Post Office Drawer 427, Sullivan's Island, South Carolina 29482.

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Basic Financial Statements

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2009

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,722,735	443,097	\$ 3,165,832
Cash and Cash Equivalents - Restricted	383,518	13,850	397,368
Investments	204,078	-	204,078
Taxes Receivable, Net	24,216	-	24,216
Other Receivables, Net	208,390	149,002	357,392
Prepaid Expenses	99,471	18,490	117,961
Inventory	2,968	-	2,968
Bond Issuance Costs, Net	-	6,442	6,442
Capital Assets:			
Non-Depreciable	37,392	-	37,392
Depreciable, Net	1,103,079	6,820,353	7,923,432
TOTAL ASSETS	4,785,847	7,451,234	12,237,081
LIABILITIES			
Accounts Payable	58,290	89,694	147,984
Accrued Interest	16,459	13,600	30,059
Other Accrued Liabilities	49,746	15,500	65,246
Customer Deposits	-	13,850	13,850
Long-Term Obligations:			
Due Within One Year	204,425	66,140	270,565
Due in More Than One Year	1,515,000	595,000	2,110,000
TOTAL LIABILITIES	1,843,920	793,784	2,637,704
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,140,471	6,186,795	5,677,266
Restricted For:			
Tourism Related Expenditures	354,164	-	354,164
Other	68,739	-	68,739
Unrestricted	1,378,553	470,655	3,499,208
TOTAL NET ASSETS	\$ 2,941,927	6,657,450	\$ 9,599,377

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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:							
Governmental Activities:							
Public Works	\$ 496,606	-	-	-	(496,606)		\$ (496,606)
Public Safety	1,613,343	161,271	-	7,485	(1,444,587)		(1,444,587)
General Government	1,124,182	224,962	-	-	(899,220)		(899,220)
Interest on Long Term Obligations	74,334	-	-	-	(74,334)		(74,334)
Total Governmental Activities	3,308,465	386,233	-	7,485	(2,914,747)		(2,914,747)
Business-Type Activities:							
Water	667,689	752,535	-	-		84,846	84,846
Sewer	705,087	577,878	-	-		(127,209)	(127,209)
Total Business-Type Activities	1,372,776	1,330,413	-	-		(42,363)	(42,363)
TOTAL - PRIMARY GOVERNMENT	\$ 4,681,241	1,716,646	-	7,485	(2,914,747)	(42,363)	(2,957,110)
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Property Taxes					1,471,355	-	1,471,355
Local Option Sales Taxes					179,720	-	179,720
Hospitality Taxes					190,681	-	190,681
Accommodation Taxes					65,015	-	65,015
Business License Taxes					487,036	-	487,036
Franchise Taxes					408,560	-	408,560
Intergovernmental					91,962	-	91,962
Interest Income					28,229	2,510	30,739
Miscellaneous					90,159	-	90,159
Transfers In (Out)					198,516	(198,516)	-
Total General Revenues and Transfers					3,211,233	(196,006)	3,015,227
CHANGE IN NET ASSETS					296,486	(238,369)	58,117
NET ASSETS, Beginning of Year					2,645,441	6,895,819	9,541,260
NET ASSETS, End of Year					2,941,927	6,657,450	\$ 9,599,377

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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND
ASSETS		
Cash and Cash Equivalents	\$ 2,688,353	-
Cash and Cash Equivalents - Restricted	87,286	4,344
Investments	204,078	-
Taxes Receivable	24,216	-
Accounts Receivable	150,451	5,774
Prepaid Expenses	99,471	-
Inventory	2,968	-
TOTAL ASSETS	3,256,823	10,118
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	58,290	-
Other Accrued Liabilities	49,746	-
Deferred Revenue, Property Taxes	15,000	-
TOTAL LIABILITIES	123,036	-
FUND BALANCES		
Reserved:		
Prepaid Expenses	99,471	-
Inventory	2,968	-
Tourism Related Expenditures	-	10,118
Victims Services	33,621	-
Confederate Memorial	18,547	-
Land Trust	35,118	-
Unreserved:		
Designated For:		
Tree Bank	-	-
Undesignated	2,944,062	-
TOTAL FUND BALANCES	3,133,787	10,118
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,256,823	10,118

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

LOCAL ACCOMMODATIONS TAX FUND	LOCAL HOSPITALITY TAX FUND	TREE BANK FUND	TOTAL GOVERNMENTAL FUNDS
-	-	34,382	\$ 2,722,735
142,737	149,151	-	383,518
-	-	-	204,078
-	-	-	24,216
10,128	42,030	7	208,390
-	-	-	99,471
-	-	-	2,968
152,865	191,181	34,389	3,645,376
-	-	-	58,290
-	-	-	49,746
-	-	-	15,000
-	-	-	123,036
-	-	-	99,471
-	-	-	2,968
152,865	191,181	-	354,164
-	-	-	33,621
-	-	-	18,547
-	-	-	35,118
-	-	34,389	34,389
-	-	-	2,944,062
152,865	191,181	34,389	3,522,340
152,865	191,181	34,389	\$ 3,645,376

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

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

JUNE 30, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,522,340
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.	15,000
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 \$2,669,926 and the accumulated depreciation was \$1,529,455	1,140,471
Accrued interest payable was recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(16,459)
Long-term obligations, including bonds payable and lease purchases, are not due or payable in the current period and therefore are not reported in the governmental funds.	
Long -Term Debt	(1,650,000)
Compensated Absences	(69,425)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 2,941,927</u>

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

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TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND
REVENUES		
Property Taxes	\$ 1,470,107	-
Local Option Sales Tax	179,720	-
Accommodation Taxes	-	5,773
Hospitality Taxes	-	-
Licenses	895,596	-
Magistrate and Recorder Fines	151,223	-
State Shared Revenues	117,265	-
Permits	218,702	-
Victim's Right Fund	10,048	-
Interest	24,990	70
Other	90,160	-
TOTAL REVENUES ALL SOURCES	3,157,811	5,843
EXPENDITURES		
Current:		
Public Works	462,863	-
Public Safety	1,493,546	-
General Government	1,076,202	6,196
Capital Outlay	93,408	-
Debt Service:		
Principal	332,179	-
Interest	79,909	-
TOTAL EXPENDITURES	3,538,107	6,196
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(380,296)	(353)
OTHER FINANCING SOURCES (USES)		
Transfers In	669,491	-
Transfers Out	-	(6,000)
TOTAL OTHER FINANCING SOURCES (USES)	669,491	(6,000)
NET CHANGES IN FUND BALANCES	289,195	(6,353)
FUND BALANCES, Beginning of Year	2,844,592	16,471
FUND BALANCES, End of Year	\$ 3,133,787	10,118

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

LOCAL ACCOMMODATIONS TAX FUND	LOCAL HOSPITALITY TAX FUND	TREE BANK FUND	TOTAL GOVERNMENTAL FUNDS
-	-	-	\$ 1,470,107
-	-	-	179,720
33,937	-	-	39,710
-	190,681	-	190,681
-	-	-	895,596
-	-	-	151,223
-	-	-	117,265
-	-	6,260	224,962
-	-	-	10,048
1,084	1,895	191	28,230
-	-	-	90,160
35,021	192,576	6,451	3,397,702
-	-	-	462,863
-	-	-	1,493,546
-	-	-	1,082,398
-	-	-	93,408
-	-	-	332,179
-	-	-	79,909
-	-	-	3,544,303
35,021	192,576	6,451	(146,601)
-	-	-	669,491
(89,000)	(375,000)	(975)	(470,975)
(89,000)	(375,000)	(975)	198,516
(53,979)	(182,424)	5,476	51,915
206,844	373,605	28,913	3,470,425
152,865	191,181	34,389	\$ 3,522,340

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 51,915
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.	1,248
Bond principal payments and lease purchase payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.	332,178
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.	5,576
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.	(3,881)
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 (\$100,893) was less than depreciation expense (\$191,443) in the current period	(90,550)
TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 296,486

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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

JUNE 30, 2009

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER	SEWER	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 257,956	185,141	\$ 443,097
Cash and Cash Equivalents - Restricted	13,850	-	13,850
Accounts Receivable	84,091	64,911	149,002
Prepaid Expenses	7,802	10,688	18,490
Total Current Assets	363,699	260,740	624,439
Noncurrent Assets:			
Unamortized Bond Issuance Costs	-	6,442	6,442
Capital Assets:			
Depreciable, Net	3,301,580	3,518,773	6,820,353
Total Noncurrent Assets	3,301,580	3,525,215	6,826,795
TOTAL ASSETS	3,665,279	3,785,955	7,451,234
LIABILITIES			
Current Liabilities:			
Accounts Payable	75,309	14,385	89,694
Accrued Interest	-	13,600	13,600
Other Accrued Liabilities	7,750	7,750	15,500
Customer Deposits	13,850	-	13,850
Compensated Absences Liability	10,570	10,570	21,140
Revenue Bond Payable - Current Portion	-	45,000	45,000
Total Current Liabilities	107,479	91,305	198,784
Noncurrent Liabilities:			
Revenue Bond Payable - Net of Current Portion	-	595,000	595,000
TOTAL LIABILITIES	107,479	686,305	793,784
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,301,580	2,885,215	6,186,795
Unrestricted	256,220	214,435	470,655
TOTAL NET ASSETS	\$ 3,557,800	3,099,650	\$ 6,657,450

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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

YEAR ENDED JUNE 30, 2009

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER	SEWER	TOTAL
OPERATING REVENUES			
Charges for Services	\$ 734,710	540,881	\$ 1,275,591
Meter Connections, Sewer Tie-In Fees, and Other Revenue	17,825	36,997	54,822
TOTAL OPERATING REVENUES	752,535	577,878	1,330,413
OPERATING EXPENSES			
Salaries	166,535	166,888	333,423
Payroll Taxes	12,113	12,139	24,252
Hospitalization Insurance	21,449	21,448	42,897
Retirement	14,932	14,965	29,897
Gas and Oil - Vehicles	5,598	5,598	11,196
Diesel Fuel and Equipment	2,777	7,455	10,232
Repairs and Maintenance - Diesel Equipment	1,909	-	1,909
Vehicle Repairs	2,367	3,594	5,961
Supplies and Tools	21,978	9,627	31,605
Office Supplies	7,182	7,290	14,472
Lab Supplies	2,935	3,518	6,453
Telephone	6,252	6,252	12,504
Power and Lights	2,640	47,500	50,140
Insurance	15,704	19,852	35,556
System Repairs and Improvements	16,930	53,176	70,106
Sludge Disposal	-	21,576	21,576
Grit Disposal	-	1,288	1,288
Property & Equipment <\$5,000	3,159	2,852	6,011
CPW and Other Capital Improvements	53,750	-	53,750
Dues and Certifications	9,753	7,446	17,199
Training and Seminars	1,384	1,160	2,544
Professional Engineering Fees	20,688	48,586	69,274
Professional Services	4,600	4,600	9,200
Lab Analysis, Inspection, and Chemicals	9,355	19,933	29,288
Wholesale Water Purchase	69,909	-	69,909
Depreciation and Amortization	192,122	187,107	379,229
Miscellaneous	295	290	585
TOTAL OPERATING EXPENSES	666,316	674,140	1,340,456
OPERATING INCOME (LOSS)	86,219	(96,262)	(10,043)
NONOPERATING REVENUE (EXPENSES)			
Interest Income	1,510	1,000	2,510
Interest Expense	(1,373)	(30,947)	(32,320)
TOTAL NONOPERATING REVENUE (EXPENSES)	137	(29,947)	(29,810)
INCOME (LOSS) BEFORE TRANSFERS	86,356	(126,209)	(39,853)
Transfers Out	(198,516)	-	(198,516)
CHANGE IN NET ASSETS	(112,160)	(126,209)	(238,369)
NET ASSETS, Beginning of Year	3,669,960	3,225,859	6,895,819
NET ASSETS, End of Year	\$ 3,557,800	3,099,650	\$ 6,657,450

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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

YEAR ENDED JUNE 30, 2009

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER	SEWER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 732,366	566,657	\$ 1,299,023
Cash Payments to Suppliers for Goods and Services	(209,663)	(269,204)	(478,867)
Cash Payments to Employees	(212,339)	(212,750)	(425,089)
NET CASH PROVIDED BY OPERATING ACTIVITIES	310,364	84,703	395,067
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Loan from Other Funds	(1,375)	1,375	-
Transfer from (to) Other Funds	(198,516)	-	(198,516)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(199,891)	1,375	(198,516)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(153,235)	(27,246)	(180,481)
Principal Paid on Debt and Lease Purchase	(24,819)	(101,935)	(126,754)
Interest Paid on Debt and Lease Purchase	(1,371)	(31,863)	(33,234)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(179,425)	(161,044)	(340,469)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	1,510	1,000	2,510
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,510	1,000	2,510
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(67,442)	(73,966)	(141,408)
CASH AND CASH EQUIVALENTS, Beginning of Year	339,248	259,107	598,355
CASH AND CASH EQUIVALENTS, End of Year	\$ 271,806	185,141	\$ 456,947
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Operating Income (Loss)	\$ 86,219	(96,262)	\$ (10,043)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation and Amortization Expense	192,122	187,107	379,229
Change Due to (Increase) Decrease in Operating Assets:			
Other Receivable	(19,721)	(11,221)	(30,942)
Prepaid Expenses	144	445	589
Change Due to Increase (Decrease) in Operating Liabilities:			
Other Payables	49,358	1,944	51,302
Compensated Absences	2,690	2,690	5,380
Customer Deposits	(448)	-	(448)
Net Cash Provided by Operating Activities	\$ 310,364	84,703	\$ 395,067
SUPPLEMENTAL INFORMATION FOR NONCASH ACTIVITIES:			
Depreciation Expense	\$ 192,122	186,463	\$ 378,585
Amortization Expense	-	644	644
	\$ 192,122	\$ 187,107	\$ 379,229

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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

**STATEMENT OF NET ASSETS - FIDUCIARY FUND - AGENCY FUND
TOWN OF SULLIVAN'S ISLAND VOLUNTEER FIRE DEPARTMENT**

JUNE 30, 2009

ASSETS

Cash and Cash Equivalents	\$	50,625
Accounts Receivable		48,356
TOTAL ASSETS	\$	98,981

LIABILITIES

Due To Volunteer Fire Department	\$	98,981
TOTAL LIABILITIES	\$	98,981

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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

The Town of Sullivan's Island, South Carolina (the "Town") embraces an area of approximately five miles. The Town was originally incorporated in 1817 as Moultrieville and consists of approximately 2,000 residents. The Town operates under a Council form of government. The Mayor and six council members (the "Council") establish policy for the Town. Administrative functions are directed by the Town Administrator. The Town's major operations, as provided by its charter, include public safety (police and fire), highway and streets, sanitation, public improvements, planning and zoning, recreation, and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The basic financial statements of the Town 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 Town's accounting policies are described below.

As required by GAAP, the basic financial statements present the Town's financial information including any component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town 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 Town. 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 Town. 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 Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town'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 Town. Based on the criteria above, the Town does not have any blended or discretely presented component units.

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 Town (the "Primary Government"). The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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 Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

Fund basic financial statements report detailed information about the Town. 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.

When both restricted and unrestricted resources are available for use, it is the Town'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 Town.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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 Town are financed. The Town's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary 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 Town's major and non-major governmental fund types are as follows:

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

The **State Accommodations Tax Fund, a major special revenue fund**, is used to account for the accumulation of resources from the hotel/motel 2% fee levied by the State of South Carolina and remitted to the Town. These funds are to be spent only for support of tourism and tourist-related services. This is an unbudgeted fund.

The **Local Accommodations Tax Fund, a major special revenue fund**, is used to account for the accumulation of resources from the 1% fee imposed on the rental of any accommodations within the Town which is collected and allocated to the Town from Charleston County. These funds are to be spent only for support of tourism and tourist-related services. This is an unbudgeted fund.

The **Hospitality Tax Fund, a major special revenue fund**, is used to account for the accumulation of resources from a 2% fee imposed on food and beverage sales within the Town. These funds are to be spent only for support of tourism and tourist-related services. This is an unbudgeted fund.

The **Tree Bank Fund, a major special revenue fund**, is used to account for the money collected from tree permits, as well as from fines for violations of the Town's tree fund ordinance. These funds are to be used for the purchase of trees to be planted on the public property of the Town and for other related activities planned by the Tree Commission and approved by Town Council. This is an unbudgeted fund.

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 Town 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 Town has elected not to follow the aforementioned guidance issued after November 30, 1989, as allowed by GAAP.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 (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 Town has two major Enterprise Funds:

The **Water Enterprise Fund** is used to account for water services provided to the residents of the Town. This is a budgeted fund.

The **Sewer Enterprise Fund** is used to account for sewer services provided to the residents of the Town. This is a budgeted fund.

Fiduciary Fund Types include the *Agency Fund*. This fund is used to account for assets held by the Town on behalf of individuals, other governments, and/or other funds. The Town of Sullivan's Island 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 Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased, money market mutual funds, and investments in the South Carolina Local Government Investment Pool ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not money market mutual funds or purchased from the Pool are reported as investments.

Investments

The Town'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 Town to invest in the following:

- (a) State of South Carolina Local Government Investment Pool
- (b) United State Treasury Bills, Notes and Bonds;
- (c) Federal Agency or United States government sponsored securities

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

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

Investments (Continued)

- (d) Certificates of Deposit and funds in deposit accounts with banking institutions in the state of South Carolina provided that such certificates and funds in deposit accounts are collaterally secured by securities
- (e) General obligations or revenue bonds of any of the counties, political subdivisions or municipal corporations of the State of South Carolina
- (f) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), and (e) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

- Government and business interest checking accounts or money market accounts.
- 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 generally subject to a penalty.
- South Carolina Local Government Investment Pool ("Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

2. Receivables and Payables

During the course of its operations, the Town 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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

3. Inventories and Prepaids

Inventories and prepaid items in the governmental funds are reported under the consumption method (if material) as they are recorded as an expenditure as they are used (consumed). Inventories of diesel fuel oil are valued at cost (first-in, first-out). Inventories and prepaid items in the governmental funds are offset by a fund balance reserve to reflect that portion of fund balance that is not an available expendable resource.

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 basic 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 basic 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 Town has elected to prospectively report public domain ("infrastructure") general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2003 have not been recorded, except for those accounted for in the Enterprise Funds. 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 Town maintains a minimum capitalization threshold of \$5,000 for all capital assets.

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

Description	Governmental and Business-Type Activities
Buildings	40-50 years
Building Improvements	7-25 years
Machinery and Equipment	5-15 years
Beach Walkovers	10-15 years
Fire Trucks	15-20 years
Vehicles	5 years
Water and Sewer Systems	10-99 years

5. Compensated Absences

The Town's general leave policy allows the accumulation of unused vacation leave up to a maximum of three work weeks. An unlimited amount of sick leave may be carried over from year to year. Employees terminating or retiring are paid for accumulated vacation leave based on their hourly rate of pay earned at the time of termination or retirement. Sick leave can only be paid for illness while employed with the Town.

The Town 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. The portion of the liability that is applicable to the Town's water and sewer activities is also reported in the Town's Proprietary Funds. 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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

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 Funds 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, 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 (if material).

In the fund basic financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

7. *Fund Balance*

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

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

In the governmental fund basic financial statements, the Town's fund balance "*designations*" are established to reflect tentative plans for financial resource utilization in future periods. Designations of fund equity represent tentative management plans that are subject to change and ultimately may not be legally authorized or result in an expenditure. Designations have been established for funds received for the tree bank program.

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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

9. Accounting Estimates

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

10. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town utilizes the following procedures in establishing the budgetary data reflected in the required supplementary information budgetary comparison schedule:

During the spring, the Town's Administration (with 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.

Upon receipt of the budget estimates, the Council holds a first reading of the budget ordinance. Information about the budget ordinance is then published in the local newspaper. The ordinance sets the limit at the fund level, for which expenditures may not exceed appropriations. After two readings of the budget, the Town Council legally adopts the budget through the passage of the ordinance.

Budget accountability rests primarily with the operating departments of the Town. 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 function, a department is obligated to stay within budget for his area. The Town Administrator has the authority to transfer funds across departments. Such transfers are entered on the Town's records (if any). All unused expenditure appropriations lapse at year-end. Town Council must approve any revisions (if any) that alter the total expenditures of the General Fund.

The Town prepares the budget on a basis of accounting other than GAAP. Major differences between the budgetary basis and GAAP are (a) the proceeds related to new lease purchase obligations entered into during the year are not budgeted, (b) revenues from grants, contributions, and other unusual sources are not budgeted, and (c) capital expenditures that are made using bond proceeds are not budgeted. Expenditures related to non-budgeted revenues are not budgeted. Lease payments are budgeted as part of the capital budgets for the applicable departments.

There were no amendments to the original budgeted amounts for the General Fund. The budgetary comparison schedule is as originally adopted by Town Council.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2009, none of the Town’s bank balances of \$2,754,933 (with a carrying value of \$2,851,659) were exposed to custodial credit risk.

Investments

As of June 30, 2009, the Town had the following investments and maturities (as defined by GASB #40):

Investment Type	Credit Rating	Fair Value	Weighted Average Maturity (In Years)
State Local Government Investment Pool	Unrated	\$ 966,244	^
Total		<u>\$ 966,244</u>	

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

Interest Rate Risk: The Town’s investment policy states that no more than seventy (70) percent of the portfolio will have a maturity in excess of one (1) year. In addition, the Town’s investment policy states that unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than five (5) years from the date of purchase.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investment policy requires that a third party hold collateral in the Town’s name and shall provide the Town with evidence of ownership. None of the Town’s security investments were exposed to custodial credit risk at June 30, 2009.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s investment policy states that credit risk shall be mitigated by investing in safe institutions and by diversifying the fund so that the failure of any one issuer would not unduly harm the Town’s cash flow.

Concentration of Credit Risk for Investments: The Town’s investment policy limits investment in any one issuer greater than fifty (50) percent, with the exception of US government securities and the South Carolina Local Government Investment Pool. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash and cash equivalents of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2009 were those imposed by the revenue source (i.e. hospitality tax, accommodations tax, etc.).

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

A. Deposits and Investments (Continued)

Investments (Continued)

Reconciliation to Statement of Net Assets

<u>Statement of Net Assets</u>	<u>Amount</u>
Unrestricted Current Assets:	
Cash and Cash Equivalents	\$ 3,165,832
Investments	204,078
Restricted Current Assets:	
Cash and Cash Equivalents, Restricted	<u>397,368</u>
	3,767,278
 <u>Statement of Net Assets - Fiduciary Fund - Agency Fund</u> 	
Unrestricted Current Assets:	
Cash and Cash Equivalents	<u>50,625</u>
Total per the basic financial statements	<u><u>\$ 3,817,903</u></u>
 <u>Notes</u> 	
Carrying Value of Deposits	\$ 2,851,659
Investments	<u>966,244</u>
Total per the notes	<u><u>\$ 3,817,903</u></u>

B. Property Taxes, Other Receivables, and Deferred Revenue

The Town’s 2008 property taxes are levied on October 1, 2008 and were due beginning on this date based on the assessed valuation as of January 1, 2008. Property taxes were considered late on January 15, 2009. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

January 15 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 Town’s operating tax rate for the 2008 property tax year was 203.2 mills (177.0 mills for Charleston County and 26.2 mills for the Town). Town property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

B. Property Taxes, Other Receivables, and Deferred Revenue (Continued)

The Town had net receivables of \$149,002 related to business-type activities at June 30, 2009 which consisted of outstanding charges to customers for water and sewer services. The Town had net receivables related to governmental activities at June 30, 2009, of the following:

	General Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Hospitality Tax Fund	Tree Bank Fund	Totals
Property Taxes	\$ 24,216	-	-	-	-	\$ 24,216
Accommodations Taxes	-	5,774	10,100	-	-	15,874
Hospitality Taxes	-	-	-	42,000	-	42,000
Franchise Fees	11,500	-	-	-	-	11,500
State Aid to Subdivisions	14,597	-	-	-	-	14,597
Local Options Sales Tax	32,383	-	-	-	-	32,383
Miscellaneous Local	91,971	-	28	30	7	92,036
Net Receivables	\$ 174,667	5,774	10,128	42,030	7	\$ 232,606

There were no material allowances for uncollectible amounts other than for property taxes.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2009, the General Fund had \$15,000 in deferred revenue related to property taxes that were not available.

C. Interfund Receivables, Payables, and Transfers

At June 30, 2009, there were no interfund receivables and payables.

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

Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 669,491	\$ -
State Accommodations Tax Fund	-	6,000
Local Accommodations Tax Fund	-	89,000
Local Hospitality Tax Fund	-	375,000
Tree Fund	-	975
Major Enterprise Funds:		
Water Fund	-	198,516
Totals	\$ 669,491	\$ 669,491

The transfers are primarily due to the individual funds reimbursing the General Fund for expenditures incurred.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

D. Capital Assets

Capital asset activity for the Town’s governmental activities for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 37,392	-	-	\$ 37,392
Total Capital Assets, Non-Depreciable	<u>37,392</u>	<u>-</u>	<u>-</u>	<u>37,392</u>
Capital Assets, Depreciable:				
Buildings and Improvements	376,703	37,435	3,352	410,786
Machinery and Equipment	485,061	63,458	15,112	533,407
Playground Equipment	178,182	-	7,526	170,656
Vehicles	977,563	-	-	977,563
Fire and Emergency Command Center	540,122	-	-	540,122
Total Capital Assets, Depreciable	<u>2,557,631</u>	<u>100,893</u>	<u>25,990</u>	<u>2,632,534</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	180,508	18,618	3,352	195,774
Machinery and Equipment	278,447	67,988	15,112	331,323
Playground Equipment	103,978	11,828	7,526	108,280
Vehicles	623,266	81,883	-	705,149
Fire and Emergency Command Center	177,803	11,126	-	188,929
Total Accumulated Depreciation	<u>1,364,002</u>	<u>191,443</u>	<u>25,990</u>	<u>1,529,455</u>
Total Capital Assets, Depreciable, Net	<u>1,193,629</u>	<u>(90,550)</u>	<u>-</u>	<u>1,103,079</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,231,021</u>	<u>(90,550)</u>	<u>-</u>	<u>\$ 1,140,471</u>

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

Functions/Programs	Amount
Governmental Activities:	
Public Works	\$ 33,553
Public Safety	117,197
General Government	40,693
Total Depreciation Expense - Governmental Activities	<u>\$ 191,443</u>

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Depreciable				
Water System	\$ 4,196,291	148,211	-	\$ 4,344,502
Sewer System	4,794,458	22,225	7,299	4,809,384
Lab Equipment	14,774	-	-	14,774
Vehicles and Equipment	215,649	10,045	3,956	221,738
Leased Equipment	607,304	-	-	607,304
Total Capital Assets, Depreciable	<u>9,828,476</u>	<u>180,481</u>	<u>11,255</u>	<u>9,997,702</u>
Less: Accumulated Depreciation for:				
Water System	1,011,680	159,604	-	1,171,284
Sewer System	1,268,671	143,024	7,299	1,404,396
Lab Equipment	13,666	473	-	14,139
Vehicles and Equipment	150,896	22,023	3,956	168,963
Leased Equipment	365,106	53,461	-	418,567
Total Accumulated Depreciation	<u>2,810,019</u>	<u>378,585</u>	<u>11,255</u>	<u>3,177,349</u>
Total Capital Assets, Being Depreciated, Net	<u>7,018,457</u>	<u>(198,104)</u>	<u>-</u>	<u>6,820,353</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,018,457</u>	<u>(198,104)</u>	<u>-</u>	<u>\$ 6,820,353</u>

Depreciation expense for the Town's Business-Type Activities was charged to functions/programs as follows:

Functions/Programs	Amount
Business-Type Activities:	
Water	\$ 192,122
Sewer	186,463
Total Depreciation Expense - Business-Type Activities	<u>\$ 378,585</u>

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

E. Long-Term Obligations

The Town generally 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 Town. Revenue Bonds ("RB") are obligations of the Town that are secured by revenue from a specific source. Lease Purchase ("LP") obligations are special obligations of the Town payable from the general revenues of the Town. The full faith, credit and taxing powers of the Town are not pledged for the payment of revenue bonds or lease purchase obligations nor the interest thereon.

Details on the Town's outstanding debt issues and lease purchase obligations for the governmental activities and business-type activities as of June 30, 2009 are as follows:

General Obligation Bonds

\$2,250,000 General Obligation Bonds (October 2003) were issued to finance initial stages of the water line replacement and upgrade project. Principal is payable annually and interest is payable semi-annually with interest at 3.99%. Debt service requirements range from \$196,970 - 203,900 per year through October 1, 2018 and are funded with resources from the General Fund.

Principal Outstanding
at Year End

\$ 1,650,000

Revenue Bonds

\$800,000 Revenue Bonds (July 2004) were issued with a financial institution to finance the substantial upgrades to the Town's Wastewater Treatment Plant. These obligations are secured and funded with the revenues and resources of the Water Enterprise Fund. Principal payments are paid annually through July 1, 2019, plus interest at 4.25% which is due semi-annually on January 1st and July 1st. Debt service requirements range from \$71,244 - 74,590. In accordance with the bond agreement, the Town must maintain a debt service coverage ratio of at least 1.20 at all times. The Town was in compliance with this bond covenant at June 30, 2009.

\$ 640,000

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

E. Long-Term Obligations (Continued)

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
GO Bond - 10/03	\$ 1,780,000	-	130,000	1,650,000	\$ 135,000
Lease Purchases:					
LP - 9/01	22,885	-	22,885	-	-
LP - 10/05	20,826	-	20,826	-	-
LP - 7/06	4,943	-	4,943	-	-
LP - 8/06	72,856	-	72,856	-	-
LP - 8/07	39,214	-	39,214	-	-
LP - 5/08	41,454	-	41,454	-	-
Total Lease Purchases	202,178	-	202,178	-	-
Compensated Absences	65,544	67,811	63,930	69,425	69,425
Total Governmental Activities	<u>\$ 2,047,722</u>	<u>67,811</u>	<u>396,108</u>	<u>1,719,425</u>	<u>\$ 204,425</u>
Business-Type Activities:					
Debt:					
Revenue Bond - 7/04 - Sewer	\$ 683,000	-	43,000	640,000	\$ 45,000
Water Lease Purchases:					
LP - 7/05	6,582	-	6,582	-	-
LP - 7/05	8,896	-	8,896	-	-
LP - 10/05	3,471	-	3,471	-	-
LP - 7/06	823	-	823	-	-
LP - 8/06	5,047	-	5,047	-	-
Total Water Lease Purchases	24,819	-	24,819	-	-
Sewer Lease Purchases:					
LP - 6/02	34,117	-	34,117	-	-
LP - 7/05	6,582	-	6,582	-	-
LP - 7/05	8,895	-	8,895	-	-
LP - 10/05	3,471	-	3,471	-	-
LP - 7/06	823	-	823	-	-
LP - 8/06	5,047	-	5,047	-	-
Total Sewer Lease Purchases	58,935	-	58,935	-	-
Compensated Absences	15,760	9,228	3,848	21,140	21,140
Total Business-Type Activities	<u>\$ 782,514</u>	<u>9,228</u>	<u>130,602</u>	<u>661,140</u>	<u>\$ 66,140</u>

The Town paid interest of \$79,909, and \$32,320 for its governmental and business-type activities, respectively.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

E. Long-Term Obligations (Continued)

Interest paid on the debt issued by the Town is exempt from federal income tax. The Town sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, 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 Town had no arbitrage liability at June 30, 2009.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2009, the Town had \$1,650,000 of bonded debt subject to the 8% limit of approximately \$4,800,000 resulting in an unused legal debt margin of approximately \$3,150,000.

Debt Service Requirements to Maturity

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

Year Ending June 30,	Debt		Totals
	Principal	Interest	
<u>Governmental Activities</u>			
2010	\$ 135,000	63,142	\$ 198,142
2011	140,000	57,656	197,656
2012	145,000	51,970	196,970
2013	155,000	45,985	200,985
2014	160,000	39,701	199,701
2015-2019	915,000	94,264	1,009,264
2020	-	-	-
Totals	<u>\$ 1,650,000</u>	<u>352,718</u>	<u>\$ 2,002,718</u>
<u>Business-Type Activities</u>			
2010	\$ 45,000	26,244	\$ 71,244
2011	47,000	24,289	71,289
2012	50,000	22,228	72,228
2013	52,000	20,060	72,060
2014	55,000	17,786	72,786
2015-2019	318,000	50,618	368,618
2020	73,000	1,551	74,551
Totals	<u>\$ 640,000</u>	<u>162,776</u>	<u>\$ 802,776</u>

F. Net Assets

The Town used the proceeds from the general Obligation Bond (see Note III.E) to fund the water line replacement and upgrade project. The \$1,650,000 balance outstanding at June 30, 2009 is included in the calculation of the Governmental Activities unrestricted net assets in the Statement of Net Assets, but the cost of the water lines are included in the Business-type Activities net assets invested in capital assets, net of related debt. Consequently, unrestricted net assets, and net assets invested in capital assets, net of related debt, of the Town are not equal to a simple combination of those net asset components of the Governmental and Business-Type activities.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The Town 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 Town 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 Town pays an annual premium for this coverage. For the year ended June 30, 2009, the Town made premium payments totaling approximately \$134,000. SCMIRF's net assets from its most recently issued audited financial statements at December 31, 2008 totaled approximately \$24,365,000.

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The Town pays an annual premium to SCMIT. In the year ended June 30, 2009, the Town made premium payments totaling approximately \$95,000. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net assets from its most recently issued audited financial statements at December 31, 2008 totaled approximately \$25,069,000.

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

Participation in Public Entity Risk Pool for Health Insurance

The Town has also joined together with other local governments in the South Carolina Local Government Assurance Group ("SCLGAG") to provide medical, dental and life insurance for its employees. This is also a public entity risk pool operating as a common risk management and insurance program. The SCLGAG reinsures through commercial insurance to cover large specific losses. In the year ended June 30, 2009, the Town made premium payments totaling approximately \$212,000. The SCLGAG's net assets from its most recently issued audited financial statements at June 30, 2008 were approximately \$9,162,000.

There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

B. Pension Disclosures

South Carolina Retirement and Police Officers' Retirement System

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

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

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

B. Pension Disclosures (Continued)

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

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

	SCRS Rates			SCPORS Rates		
	2007	2008	2009	2007	2008	2009
<u>Employer Rate</u>						
Retirement	8.05%	9.06%	9.24%	10.30%	10.30%	10.65%
Group Life Insurance Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	N/A	N/A	N/A	0.20%	0.20%	0.20%
	<u>8.20%</u>	<u>9.21%</u>	<u>9.39%</u>	<u>10.70%</u>	<u>10.70%</u>	<u>11.05%</u>
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
2009	\$ 75,374	100%	9.39%	\$ 99,873	100%	11.05%
2008	68,194	100%	9.21%	81,489	100%	10.70%
2007	\$ 49,828	100%	8.20%	\$ 79,215	100%	10.70%

C. Other Postemployment Benefits

The Town does not currently provide health insurance or other postemployment benefits (other than retirement benefits which are discussed in Note III.B) to retirees and thus is not subject to the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement issued in 2004 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.

D. Commitments and Contingencies

The Town 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 Town at June 30, 2009.

The Town is in dispute with a contractor associated with the Town’s 2003 Wastewater Treatment Plant Upgrade. Legal counsel believes that an unfavorable outcome to the Town is unlikely.

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

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 Schedule
 - General Fund

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 1,435,225	1,435,225	1,470,107	\$ 34,882
Local Option Sales Tax	203,922	203,922	179,720	(24,202)
Licenses and Franchise Fees	590,450	590,450	895,596	305,146
Magistrate and Recorder Fines	90,000	90,000	151,223	61,223
State Shared Revenues	104,000	104,000	117,265	13,265
Permits	306,000	306,000	218,702	(87,298)
Victims' Rights Fund	5,000	5,000	10,048	5,048
Interest	32,000	32,000	24,990	(7,010)
Insurance Proceeds				
Other	77,065	77,065	90,160	13,095
TOTAL REVENUES ALL SOURCES	2,843,662	2,843,662	3,157,811	314,149
EXPENDITURES				
Maintenance	502,950	502,950	523,955	(21,005)
Police	774,142	774,142	808,048	(33,906)
Fire	815,555	815,555	844,932	(29,377)
Recreation	106,000	106,000	45,075	60,925
Building	208,896	208,896	176,429	32,467
Administrative	1,112,135	1,112,135	1,139,668	(27,533)
TOTAL EXPENDITURES	3,519,678	3,519,678	3,538,107	(18,429)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(676,016)	(676,016)	(380,296)	295,720
OTHER FINANCING SOURCES (USES)				
Transfers In	676,016	676,016	669,491	(6,525)
TOTAL OTHER FINANCING SOURCES (USES)	676,016	676,016	669,491	(6,525)
NET CHANGES IN FUND BALANCES	-	-	289,195	289,195
FUND BALANCES, Beginning of Year	2,364,620	2,364,620	2,844,592	479,972
FUND BALANCES, End of Year	\$ 2,364,620	2,364,620	3,133,787	\$ 769,167

Note: The Town prepares the budget on a basis of accounting other than GAAP. Major differences between the budgetary basis and GAAP are (a) the proceeds related to new lease purchase obligations entered into during the year are not budgeted, (b) revenues from grants, contributions, and other unusual sources are not budgeted, and (c) capital expenditures that are made using bond proceeds are not budgeted. Expenditures related to non-budgeted revenues are not budgeted. Lease payments are budgeted as part of the capital budgets for the applicable departments.

Other Supplementary Information

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2009

	2009		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
MAINTENANCE			
Operating Expenditures:			
Salaries	\$ 142,847	146,861	\$ (4,014)
Payroll Taxes	10,478	10,778	(300)
Health Insurance	14,927	15,569	(642)
Retirement	13,413	9,247	4,166
Gas and Oil - Vehicles	10,000	7,819	2,181
Diesel Fuel	3,500	3,261	239
Vehicle Repairs	4,500	1,065	3,435
Supplies and Materials	18,500	14,049	4,451
Uniforms	3,000	3,316	(316)
Property & Equipment <\$5,000	2,000	1,573	427
Telephone	4,500	3,106	1,394
Power and Lights	28,000	29,276	(1,276)
Insurance	22,000	23,772	(1,772)
800 MHZ Radios	1,200	-	1,200
System Repairs and Improvements	30,000	24,013	5,987
Garbage Disposal Service - Subcontract	161,597	158,085	3,512
Container Servicing	7,000	10,009	(3,009)
Causeway Maintenance	4,500	-	4,500
Miscellaneous	2,000	1,064	936
Total Operating Expenditures	<u>483,962</u>	<u>462,863</u>	<u>21,099</u>
Capital Expenditures:			
Lease Purchase Payments	18,988	61,092	(42,104)
TOTAL EXPENDITURES	<u><u>502,950</u></u>	<u><u>523,955</u></u>	<u><u>(21,005)</u></u>
POLICE			
Operating Expenditures:			
Salaries	373,540	392,877	(19,337)
Payroll Taxes	28,191	29,453	(1,262)
Health Insurance	51,539	53,096	(1,557)
Retirement	41,296	42,878	(1,582)
Gas and Oil - Vehicles	49,293	39,699	9,594
Diesel Fuel	600	65	535
Vehicle Repairs	21,835	22,099	(264)
Supplies and Materials	17,617	13,900	3,717
Telephone	14,000	11,851	2,149
Power and Lights	5,775	5,083	692
Uniforms	5,000	6,218	(1,218)
Insurance	40,000	45,166	(5,166)
800 MHZ Radios	\$ 8,172	1,500	\$ 6,672

(Continued)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2009

	2009		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
Property & Equipment <\$5,000	\$ 29,000	28,247	\$ 753
System Repairs and Improvements	25,975	7,718	18,257
Dues and Certifications	500	315	185
Training and Seminars	7,000	5,603	1,397
Dispatching Services	18,500	18,462	38
Miscellaneous	2,000	55	1,945
Total Operating Expenditures	<u>739,833</u>	<u>724,285</u>	15,548
Capital Expenditures:			
Lease Purchase Payments	34,309	83,763	(49,454)
TOTAL EXPENDITURES	<u>774,142</u>	<u>808,048</u>	<u>(33,906)</u>
FIRE			
Operating Expenditures:			
Salaries	449,240	452,593	(3,353)
Payroll Taxes	33,308	34,516	(1,208)
Health Insurance	60,217	59,232	985
Retirement	49,641	49,634	7
Gas and Oil - Vehicles	8,000	7,282	718
Diesel Fuel	5,500	4,309	1,191
Vehicle Repairs	10,500	12,071	(1,571)
Supplies and Materials	16,500	16,741	(241)
Telephone	10,500	11,331	(831)
Uniforms	7,500	12,909	(5,409)
Power and Lights	9,500	8,161	1,339
Insurance	40,000	51,930	(11,930)
800 MHZ Radios	16,000	1,800	14,200
Property & Equipment <\$5,000	3,500	9,042	(5,542)
System Repairs and Improvements	7,500	7,859	(359)
Dues and Certifications	1,000	929	71
Training and Seminars	9,000	4,647	4,353
Dispatching Services	18,500	18,462	38
Miscellaneous	6,000	5,813	187
Total Operating Expenditures	<u>761,906</u>	<u>769,261</u>	(7,355)
Capital Expenditures:			
Lease Purchase Payments	38,449	59,698	(21,249)
Capital Outlay	15,200	15,973	(773)
TOTAL EXPENDITURES	<u>\$ 815,555</u>	<u>844,932</u>	<u>\$ (29,377)</u>

(Continued)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2009

	2009		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
RECREATION			
Operating Expenditures:			
Supplies and Materials	\$ 3,000	106	\$ 2,894
Power and Lights	6,500	5,650	850
Insurance	2,000	1,504	496
Maintenance Recreation Area	2,000	-	2,000
Property & Equipment <\$5,000	2,000	380	1,620
Miscellaneous	15,500	-	15,500
Total Operating Expenditures	31,000	7,640	23,360
Capital Expenditures:			
Capital Outlay	75,000	37,435	37,565
TOTAL EXPENDITURES	106,000	45,075	60,925
Building			
Operating Expenditures:			
Salaries	113,832	112,505	1,327
Payroll Taxes	8,388	8,262	126
Health Insurance	13,654	14,356	(702)
Retirement	11,772	11,595	177
Gas and Oil - Vehicles	3,000	1,920	1,080
Office Supplies	5,000	2,300	2,700
Supplies - Building Official	3,000	324	2,676
Telephone	3,000	2,427	573
Travel	750	-	750
Utilities	1,000	667	333
Insurance	5,000	2,228	2,772
System Repair and Maintenance	3,500	-	3,500
Dues and Certifications	2,000	549	1,451
Training and Seminars	2,000	697	1,303
Board of Zoning Appeals	4,000	875	3,125
Design and Review Board	15,600	7,736	7,864
Tree Commission	500	1,788	(1,288)
Triming and Pruning	11,400	8,200	3,200
Equipment	1,000	-	1,000
Miscellaneous	500	-	500
TOTAL EXPENDITURES	\$ 208,896	176,429	\$ 32,467

(Continued)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2009

	2009		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
ADMINISTRATIVE			
Operating Expenditures:			
Salaries	\$ 302,988	311,387	\$ (8,399)
Payroll Taxes	22,020	24,809	(2,789)
Health Insurance	27,185	26,900	285
Retirement	28,061	30,159	(2,098)
Office Supplies	22,500	25,320	(2,820)
Travel Allowance - Recorder	1,500	8	1,492
Advertising	3,500	987	2,513
Recorder's Supplies	500	731	(231)
Telephone	9,000	11,147	(2,147)
Power and Lights	5,000	4,848	152
Insurance	70,000	70,629	(629)
System Repairs and Improvements	36,000	30,331	5,669
Dues and Certifications	2,000	2,754	(754)
Training and Seminars	4,000	3,573	427
Municipal	1,500	945	555
Professional Engineering Fees	200,100	175,460	24,640
Fee Simple Deed Costs	100	13	87
Victim's Rights Fund	3,000	844	2,156
Professional Services	80,000	73,247	6,753
Criminal Justice Academy	43,022	72,554	(29,532)
800 MHZ Radios	1,000	-	1,000
Building Repair and Improvements	15,000	3,676	11,324
Property & Equipment <\$5,000	5,000	2,769	2,231
Bonds Debt Services	198,516	198,400	116
Council Expenditures	2,400	5,608	(3,208)
Planning Expense	3,500	1,604	1,896
Operating Lease	900	697	203
Miscellaneous	7,907	11,133	(3,226)
Total Operating Expenditures	<u>1,096,199</u>	<u>1,090,533</u>	5,666
Capital Expenditures:			
Lease Purchase Payments	3,936	9,135	(5,199)
Capital Outlay	12,000	40,000	(28,000)
TOTAL EXPENDITURES	<u>1,112,135</u>	<u>1,139,668</u>	(27,533)
TOTAL GENERAL FUND EXPENDITURES	<u><u>\$ 3,519,678</u></u>	<u><u>3,538,107</u></u>	<u><u>\$ (18,429)</u></u>

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
SEWER FUND

YEAR ENDED JUNE 30, 2009

	2009		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
OPERATING REVENUES			
Sewer Service Charges	\$ 630,812	540,881	\$ (89,931)
Other Revenue	13,300	36,997	23,697
TOTAL OPERATING REVENUES	644,112	577,878	(66,234)
OPERATING EXPENSES			
Salaries	170,989	166,888	4,101
Payroll Taxes	13,081	12,139	942
Hospitalization Insurance	20,323	21,448	(1,125)
Retirement	14,840	14,965	(125)
Gas and Oil - Vehicles	6,000	5,598	402
Diesel Fuel and Equipment	4,300	7,455	(3,155)
Vehicle Repairs	2,300	3,594	(1,294)
Supplies and Tools	11,500	9,627	1,873
Office Supplies	2,700	7,290	(4,590)
Lab Supplies	2,500	3,518	(1,018)
Telephone	5,000	6,252	(1,252)
Power and Lights	40,000	47,500	(7,500)
Insurance	15,000	19,852	(4,852)
System Repairs and Improvements	29,000	53,176	(24,176)
Sludge Disposal	17,000	21,576	(4,576)
Grit Disposal	1,200	1,288	(88)
Property & Equipment <\$5,000	1,700	2,852	(1,152)
Capital Improvements	63,000	-	63,000
Depreciation and Amortization	25,000	187,107	(162,107)
Collection System and Repairs	5,000	-	5,000
Dues and Certifications	6,500	7,446	(946)
Training and Seminars	5,000	1,160	3,840
Professional Engineering Fees	37,500	48,586	(11,086)
Professional Services	8,500	4,600	3,900
Bond Interest	75,000	27,200	47,800
Lab Analysis, Inspection, and Chemicals	12,200	19,933	(7,733)
Miscellaneous	2,625	290	2,335
Total Operating Expenses	597,758	701,340	(103,582)
OPERATING INCOME (LOSS)	46,354	(123,462)	(169,816)
CAPITAL EXPENDITURES (Including Lease Purchase Payments)	(54,354)	-	54,354
NONOPERATING REVENUES			
Interest Income	8,000	1,000	(7,000)
NET INCOME (LOSS)	\$ -	(122,462)	\$ (122,462)
RECONCILIATION TO GAAP BASIS:			
Non-Budgeted Revenues (Expenses)			
Interest Expense		(3,747)	
INCREASE IN NET ASSETS		(126,209)	
NET ASSETS, Beginning of Year		3,225,859	
NET ASSETS, End of Year		\$ 3,099,650	

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
WATER FUND

YEAR ENDED JUNE 30, 2009

	2009		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
OPERATING REVENUES			
Water Sales	\$ 861,582	734,710	\$ (126,872)
Meter Connections	30,500	17,825	(12,675)
TOTAL OPERATING REVENUES	892,082	752,535	(139,547)
OPERATING EXPENSES			
Salaries	170,989	166,535	4,454
Payroll Taxes	13,081	12,113	968
Hospitalization Insurance	20,323	21,449	(1,126)
Retirement	14,840	14,932	(92)
Gas and Oil - Vehicles	6,000	5,598	402
Diesel Fuel and Equipment	2,100	2,777	(677)
Repairs and Maintenance - Diesel Equipment	1,000	1,909	(909)
Vehicle Repairs	2,200	2,367	(167)
Supplies and Tools	29,500	21,978	7,522
Office Supplies	3,500	7,182	(3,682)
Lab Supplies	2,200	2,935	(735)
Telephone	5,000	6,252	(1,252)
Power and Lights	2,200	2,640	(440)
Insurance	11,000	15,704	(4,704)
System Repairs and Improvements	25,000	16,930	8,070
Property & Equipment <\$5,000	1,700	3,159	(1,459)
Capital Improvements	70,000	-	70,000
Depreciation	15,000	192,122	(177,122)
Dues and Certifications	10,100	9,753	347
Training and Seminars	4,500	1,384	3,116
Professional Engineering Fees	54,500	20,688	33,812
Professional Services	6,000	4,600	1,400
Lab Analysis, Inspection, and Chemicals	7,200	9,355	(2,155)
CPW Improvements	85,000	53,750	31,250
Wholesale Water Purchases	105,000	69,909	35,091
Miscellaneous	3,064	295	2,769
Total Operating Expenses	670,997	666,316	4,681
OPERATING INCOME (LOSS)	221,085	86,219	(134,866)
CAPITAL EXPENDITURES (Including Lease Purchase Payments)	(30,085)	-	30,085
NONOPERATING REVENUES			
Interest Income	9,000	1,510	(7,490)
Transfers Out to Other Funds	(200,000)	(198,516)	1,484
NET INCOME (LOSS)	\$ -	(110,787)	\$ (110,787)
RECONCILIATION TO GAAP BASIS:			
Non-Budgeted Revenues (Expenses)			
Interest Expense		(1,373)	
INCREASE IN NET ASSETS		(112,160)	
NET ASSETS, Beginning of Year		3,669,960	
NET ASSETS, End of Year		\$ 3,557,800	

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

**SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES
GENERAL FUND**

YEAR ENDED JUNE 30, 2009

	2009
COURT FINES	
Court Fines Collected	\$ 77,861
Court Fines Retained by Town	(77,861)
Court Fines Remitted to the State Treasurer	<u>\$ -</u>
COURT ASSESSMENTS	
Court Assessments Collected	\$ 66,125
Court Assessments Allocated to Victim Services	(7,323)
Court Assessments Remitted to the State Treasurer	<u>\$ 58,802</u>
COURT SURCHARGES	
Court Surcharges Collected	\$ 22,865
Court Surcharges Allocated to Victim Services	(3,542)
Court Surcharges Remitted to the State Treasurer	<u>\$ 19,323</u>
VICTIMS SERVICES	
Court Assessments Allocated to Victim Services	\$ 7,323
Court Surcharges Allocated to Victim Services	3,542
Funds Allocated to Victim Services	<u>10,865</u>
Victim Services Expenditures	(844)
Capital Outlay	<u>-</u>
Funds Available for Carry Forward	10,021
Victim Services Balance at Beginning of Year	<u>23,600</u>
Victim Services Balance at End of Year	<u>\$ 33,621</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***

The Honorable Mayor and Members of Town Council
Town of Sullivan's Island
Sullivan's Island, 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 Town of Sullivan's Island, South Carolina (the "Town"), as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's basic financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town in a separate letter dated September 2, 2009.

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

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 2, 2009