

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**



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

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**YEAR ENDED JUNE 30, 2008**

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

**LIST OF ELECTED AND APPOINTED OFFICIALS**

**YEAR ENDED JUNE 30, 2008**

MAYOR

Carl Smith

CITY COUNCIL MEMBERS

Pat O'Neil, Mayor Pro Tem

Charles "Buddy" Howle

Gerald "Jerry" Kaynard

Mike Perkis

Everett Presson

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, 2008, 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, 2008, 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 March 3, 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

March 3, 2009

## TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2008

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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, 2008. 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 of 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 \$9,541,000 (*net assets*). Of this amount, approximately \$2,645,000 and \$6,896,000 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 \$926,000 for its governmental activities and approximately \$637,000 for its business-type activities.
- The government's total net assets increased by approximately \$108,000 for governmental activities and the net assets for the business-type activities decreased by approximately \$19,000 for business-type activities, as total revenue of approximately \$4,253,000 exceeded total expenses of approximately \$4,164,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$3,470,000, an increase of approximately \$79,000 over the prior year's fund balances. Approximately 76% of this total amount, or approximately \$2,635,000, is available for spending at the government's discretion (*unreserved, undesignated fund balances*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was approximately \$2,635,000, or 87% of total General Fund expenditures for the year ended June 30, 2008.
- The Town's total capital assets decreased by approximately \$193,000 (2%) during the current fiscal year primarily due to depreciation expense of approximately \$566,000, net disposals of approximately \$1,300, partially offset by capital asset additions of approximately \$374,000. Capital asset additions were primarily related to the purchase of motor vehicles, a Kubota lawn tractor, water projects, and other machinery and equipment.
- The Town's total debt (including lease purchases) decreased by approximately \$194,000 (7%) during the current year due to scheduled principal payments exceeding new lease purchase obligations (which were used to purchase various vehicles and equipment).

#### OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two 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).

#### 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, 2008

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### 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, 2008**

**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				
	Government-Wide Basic Financial Statements	Fund 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"> <li>▪ Statement of net assets</li> <li>▪ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance sheet</li> <li>▪ Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of net assets</li> <li>▪ Statement of revenues, expenses, and changes in net assets</li> <li>▪ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of fiduciary net assets</li> <li>▪ Statement of changes in fiduciary net assets (not required for agency funds)</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used 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, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net assets for 2008 compared to 2007:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets:</b>						
Current and Other Assets	\$ 3,560,811	3,502,432	742,580	888,293	4,303,391	\$ 4,390,725
Capital Assets, Net	1,231,021	1,301,951	7,018,457	7,140,610	8,249,478	8,442,561
<b>Total Assets</b>	<b>4,791,832</b>	<b>4,804,383</b>	<b>7,761,037</b>	<b>8,028,903</b>	<b>12,552,869</b>	<b>12,833,286</b>
<b>Liabilities:</b>						
Long-Term Obligations	2,047,722	2,146,489	782,514	858,544	2,830,236	3,005,033
Other Liabilities	98,669	120,850	82,704	255,551	181,373	376,401
<b>Total Liabilities</b>	<b>2,146,391</b>	<b>2,267,339</b>	<b>865,218</b>	<b>1,114,095</b>	<b>3,011,609</b>	<b>3,381,434</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt (1)	1,028,843	1,110,827	6,258,789	6,301,795	5,507,632	7,412,622
Restricted	690,305	629,632	-	-	690,305	629,632
Unrestricted (1)	926,293	796,585	637,030	613,013	3,343,323	1,409,598
<b>Total Net Assets</b>	<b>\$ 2,645,441</b>	<b>\$ 2,537,044</b>	<b>6,895,819</b>	<b>6,914,808</b>	<b>9,541,260</b>	<b>\$ 9,451,852</b>

(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 \$12,553,000 decreased approximately \$280,000 over the prior year. The decrease is primarily due to lower capital asset balances related to depreciation expense. Total liabilities at June 30, 2008 decreased by approximately \$370,000 from the prior year primarily due to principal payments made during the year on the Town's long-term obligations exceeding new lease purchase obligations (which were used to purchase various vehicles, machinery, and equipment).

The Town's net assets increased by approximately \$89,000 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 \$9,541,000 at June 30, 2008. The largest portion of the Town's net assets of approximately \$5,508,000 (approximately 58%) 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 \$690,000 (approximately 7%) 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 \$3,343,000 (approximately 35%) 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, 2008**

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

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

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007 *	2008	2007 *	2008	2007 *
Revenues:						
Program Revenues:						
Charges for Services	\$ 266,557	268,967	1,169,339	1,109,943	1,435,896	\$ 1,378,910
General Revenues:						
Taxes	2,601,706	2,416,703	-	-	2,601,706	2,416,703
Other	201,781	244,715	14,020	29,439	215,801	274,154
Total Revenues	<u>3,070,044</u>	<u>2,930,385</u>	<u>1,183,359</u>	<u>1,139,382</u>	<u>4,253,403</u>	<u>4,069,767</u>
Expenses:						
Public Works	453,626	462,607	-	-	453,626	462,607
Public Safety	1,417,553	1,311,961	-	-	1,417,553	1,311,961
General Government	960,415	1,030,063	-	-	960,415	1,030,063
Interest on Long-Term Obligations	80,053	90,595	-	-	80,053	90,595
Water	-	-	618,410	678,904	618,410	678,904
Sewer	-	-	633,938	678,879	633,938	678,879
Total Expenses	<u>2,911,647</u>	<u>2,895,226</u>	<u>1,252,348</u>	<u>1,357,783</u>	<u>4,163,995</u>	<u>4,253,009</u>
Change in Net Assets Before Transfers	158,397	35,159	(68,989)	(218,401)	89,408	(183,242)
Transfers In (Out)	(50,000)	(91,259)	50,000	91,259	-	-
Change in Net Assets	<u>108,397</u>	<u>(56,100)</u>	<u>(18,989)</u>	<u>(127,142)</u>	<u>89,408</u>	<u>(183,242)</u>
Net Assets - Beginning of Year	2,537,044	2,593,144	6,914,808	7,041,950	9,451,852	9,635,094
Net Assets - End of Year	<u>\$ 2,645,441</u>	<u>2,537,044</u>	<u>6,895,819</u>	<u>6,914,808</u>	<u>9,541,260</u>	<u>\$ 9,451,852</u>

\* 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 \$108,000 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 \$140,000, or more than 5%, over the prior year. Most of the Town’s revenues were flat compared to the prior year.
- Total governmental activities expenses increased by approximately \$16,000, over the prior year.

# TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

*Business-Type Activities:* Net assets for business-type activities (water and sewer services) decreased by approximately \$19,000.

### 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 \$3,470,000, an increase of approximately \$79,000 over the prior year fund balance. The increase in fund balance was the result of revenues of the Town exceeding its operating expenditures.

Approximately 76% or \$2,635,000 of the total governmental fund balance of approximately \$3,470,000 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 (\$116,000), (2) for tourism related expenditures or operating expenses incurred to serve tourists (\$597,000), (3) victims services (\$23,000), (4) tree bank program (\$29,000), and (5) for other purposes (\$70,000).

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 \$2,845,000. 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 (\$2,635,000) represents approximately 87% of total General Fund expenditures.

Highlights for the General Fund were as follows:

- Licenses and franchise fees came in over \$290,000 more than projected.
- Total actual expenses were approximately \$280,000 less than total budgeted expenses.

In addition, the fund balances of the remaining major funds increased by approximately \$47,000 over 2007.

**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 \$6,896,000. 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 \$74,000 at June 30, 2008.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2008**

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

**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 2008.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

The Town’s investment in capital assets as of June 30, 2008 and June 30, 2007, amounted to approximately \$8,249,000 and \$8,443,000 (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, 2008 and 2007 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 37,392	37,392	-	-	37,392	\$ 37,392
Building and Improvements	196,195	196,310	-	-	196,195	196,310
Machinery and Equipment	280,818	330,093	-	-	280,818	330,093
Vehicles and Vehicle Equipment	354,297	364,711	-	-	354,297	364,711
Vehicles, Machinery, and Equipment	-	-	308,059	383,409	308,059	383,409
Fire and Emergency Command System	362,319	373,445	-	-	362,319	373,445
Water/Sewer System	-	-	6,710,398	6,757,201	6,710,398	6,757,201
<b>Total</b>	<b>\$ 1,231,021</b>	<b>1,301,951</b>	<b>7,018,457</b>	<b>7,140,610</b>	<b>8,249,478</b>	<b>\$ 8,442,561</b>

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

The total decrease in the Town’s investment in capital assets for the current fiscal year was approximately \$193,000 or less than 3%. Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$132,000 for governmental activities which consisted primarily of the following:
  - Purchase of three public safety (1 for fire and 2 for police) vehicles for approximately \$63,000.
  - Purchase of a vehicle for public service for approximately \$21,000.
  - Purchase of other miscellaneous public safety and general government machinery and equipment of approximately \$29,000.
  - Building improvements to the police department of approximately \$19,000.
- Capital asset additions of approximately \$242,000 for business-type activities which consisted primarily of the following:
  - Waterline project – portion completed in 2008 for approximately \$170,000.
  - Sewer line improvements and manhole replacements for approximately \$61,000.
  - Administrative building improvements for approximately \$11,000.
- Depreciation expense of approximately \$201,000 for governmental activities and \$365,000 of depreciation expense for business-type activities.

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

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2008**

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

***Debt Administration***

As of June 30, 2008 and June 30, 2007, the Town had total outstanding debt (including lease purchases) of approximately \$2,749,000 and \$2,943,000, respectively. Of the Town’s total long-term obligations, approximately \$1,780,000 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, 2008 and 2007 were as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Debt:						
General Obligation Bond	\$ 1,780,000	1,905,000	-	-	1,780,000	\$ 1,905,000
Revenue Bond	-	-	683,000	724,000	683,000	724,000
Total Debt	1,780,000	1,905,000	683,000	724,000	2,463,000	2,629,000
Lease Purchases	202,178	191,124	83,754	122,544	285,932	313,668
Total Debt and Lease Purchases	\$ 1,982,178	2,096,124	766,754	846,544	2,748,932	\$ 2,942,668

The total decrease in the Town’s debt and lease purchase obligations for the current fiscal year was approximately \$194,000 or 7%. 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 \$125,000 and \$84,000, respectively.
- The Town entered into new governmental activities lease purchase obligations of approximately \$95,000 for four new vehicles, and a Kubota lawn tractor.
- The Town’s business-type activities had scheduled principal payments on debt and lease purchase obligations of approximately \$41,000 and \$39,000, respectively.

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 \$1,780,000 of bonded debt subject to the 8% limit and thus resulted in the Town having an unused legal debt margin of approximately \$3,020,000.

Additional information regarding the Town’s long-term obligations can be found in Note III 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 2008 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:

- A study on the accreted land.
- A study on the commercial district.
- Continuation of the water line replacement project.
- Hiring of additional firefighters.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2008**

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**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, 2008

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,654,759	584,057	\$ 3,238,816
Cash and Cash Equivalents - Restricted	634,721	14,298	649,019
Taxes Receivable, Net	26,566	-	26,566
Other Receivables, Net	128,914	118,060	246,974
Prepaid Expenses	103,522	19,079	122,601
Inventory	12,329	-	12,329
Bond Issuance Costs, Net	-	7,086	7,086
Capital Assets:			
Non-Depreciable	37,392	-	37,392
Depreciable, Net	1,193,629	7,018,457	8,212,086
<b>TOTAL ASSETS</b>	<b>4,791,832</b>	<b>7,761,037</b>	<b>12,552,869</b>
<b>LIABILITIES</b>			
Accounts Payable	20,141	35,120	55,261
Accrued Interest	22,035	14,514	36,549
Other Accrued Liabilities	41,493	18,772	60,265
Customer Deposits	15,000	14,298	29,298
Long-Term Obligations:			
Due Within One Year	283,852	99,157	383,009
Due in More Than One Year	1,763,870	683,357	2,447,227
<b>TOTAL LIABILITIES</b>	<b>2,146,391</b>	<b>865,218</b>	<b>3,011,609</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,028,843	6,258,789	5,507,632
Restricted For:			
Tourism Related Expenditures	596,920	-	596,920
Other	93,385	-	93,385
Unrestricted	926,293	637,030	3,343,323
<b>TOTAL NET ASSETS</b>	<b>\$ 2,645,441</b>	<b>6,895,819</b>	<b>\$ 9,541,260</b>

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, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities:							
Public Works	\$ 453,626	-	-	-	(453,626)		\$ (453,626)
Public Safety	1,417,553	106,388	-	-	(1,311,165)		(1,311,165)
General Government	960,415	160,169	-	-	(800,246)		(800,246)
Interest on Long Term Obligations	80,053	-	-	-	(80,053)		(80,053)
<b>Total Governmental Activities</b>	<b>2,911,647</b>	<b>266,557</b>	<b>-</b>	<b>-</b>	<b>(2,645,090)</b>		<b>(2,645,090)</b>
Business-Type Activities:							
Water	618,410	626,474	-	-		8,064	8,064
Sewer	633,938	542,865	-	-		(91,073)	(91,073)
<b>Total Business-Type Activities</b>	<b>1,252,348</b>	<b>1,169,339</b>	<b>-</b>	<b>-</b>		<b>(83,009)</b>	<b>(83,009)</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 4,163,995</b>	<b>1,435,896</b>	<b>-</b>	<b>-</b>	<b>(2,645,090)</b>	<b>(83,009)</b>	<b>(2,728,099)</b>
<b>General Revenues and Transfers:</b>							
General Revenues:							
Taxes:							
Property Taxes					1,383,831	-	1,383,831
Local Option Sales Taxes					189,109	-	189,109
Hospitality Taxes					205,955	-	205,955
Accommodation Taxes					81,512	-	81,512
Business License Taxes					402,910	-	402,910
Franchise Taxes					338,389	-	338,389
Intergovernmental					76,703	-	76,703
Interest Income					80,793	14,020	94,813
Gain (Loss) on Disposal of Capital Assets					6,877	-	6,877
Miscellaneous					37,408	-	37,408
Transfers In (Out)					(50,000)	50,000	-
<b>Total General Revenues and Transfers</b>					<b>2,753,487</b>	<b>64,020</b>	<b>2,817,507</b>
<b>CHANGE IN NET ASSETS</b>					<b>108,397</b>	<b>(18,989)</b>	<b>89,408</b>
NET ASSETS, Beginning of Year					2,444,211	6,914,808	9,359,019
Prior Period Adjustment					92,833	-	92,833
NET ASSETS, Beginning of Year, Restated					2,537,044	6,914,808	9,451,852
<b>NET ASSETS, End of Year</b>					<b>\$ 2,645,441</b>	<b>6,895,819</b>	<b>\$ 9,541,260</b>

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, 2008**

	<b>GENERAL FUND</b>	<b>STATE ACCOMMODATIONS TAX FUND</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,654,759	-
Cash and Cash Equivalents - Restricted	93,385	5,736
Taxes Receivable	26,566	-
Accounts Receivable	44,417	10,735
Prepaid Expenses	103,522	-
Inventory	12,329	-
<b>TOTAL ASSETS</b>	<b>2,934,978</b>	<b>16,471</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	20,141	-
Other Accrued Liabilities	41,493	-
Deferred Revenue, Property Taxes	13,752	-
Customer Deposits	15,000	-
<b>TOTAL LIABILITIES</b>	<b>90,386</b>	<b>-</b>
<b>FUND BALANCES</b>		
Reserved:		
Prepaid Expenses	103,522	-
Inventory	12,329	-
Tourism Related Expenditures	-	16,471
Victims Services	23,600	-
Other	69,785	-
Unreserved:		
Designated For:		
Tree Bank	-	-
Undesignated	2,635,356	-
<b>TOTAL FUND BALANCES</b>	<b>2,844,592</b>	<b>16,471</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,934,978</b>	<b>16,471</b>

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

<b>LOCAL ACCOMMODATIONS TAX FUND</b>	<b>LOCAL HOSPITALITY TAX FUND</b>	<b>TREE BANK FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
-	-	-	\$ 2,654,759
195,807	310,880	28,913	634,721
-	-	-	26,566
11,037	62,725	-	128,914
-	-	-	103,522
-	-	-	12,329
<b>206,844</b>	<b>373,605</b>	<b>28,913</b>	<b>3,560,811</b>
-	-	-	20,141
-	-	-	41,493
-	-	-	13,752
-	-	-	15,000
-	-	-	90,386
-	-	-	103,522
-	-	-	12,329
206,844	373,605	-	596,920
-	-	-	23,600
-	-	-	69,785
-	-	28,913	28,913
-	-	-	2,635,356
<b>206,844</b>	<b>373,605</b>	<b>28,913</b>	<b>3,470,425</b>
<b>206,844</b>	<b>373,605</b>	<b>28,913</b>	<b>\$ 3,560,811</b>

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

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

**JUNE 30, 2008**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 3,470,425</b>
Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:	
Property taxes and other revenues that will be collected in the future, but are not available soon enough to pay for the current period's expenditures are therefore deferred in the funds.	13,752
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 \$2,595,023 and the accumulated depreciation was \$1,364,002.	1,231,021
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.	(22,035)
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	(1,780,000)
Lease Purchases	(202,178)
Compensated Absences	(65,544)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 2,645,441</u></b>

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, 2008

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND
<b>REVENUES</b>		
Property Taxes	\$ 1,385,307	-
Local Option Sales Tax	189,109	-
Accommodation Taxes	-	19,619
Hospitality Taxes	-	-
Licenses	741,299	-
Magistrate and Recorder Fines	98,877	-
State Shared Revenues	102,736	-
Permits	155,513	-
Victim's Right Fund	7,511	-
Interest	66,293	324
Other	37,406	-
<b>TOTAL REVENUES ALL SOURCES</b>	<b>2,784,051</b>	<b>19,943</b>
<b>EXPENDITURES</b>		
Current:		
Public Works	412,629	-
Public Safety	1,276,935	-
General Government	918,326	7,136
Capital Outlay	131,767	-
Debt Service:		
Principal	208,878	-
Interest	82,744	-
<b>TOTAL EXPENDITURES</b>	<b>3,031,279</b>	<b>7,136</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(247,228)</b>	<b>12,807</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	226,500	-
Transfers Out	(50,000)	(15,000)
Lease Purchases	94,932	-
Proceeds from Sale of Capital Assets	8,185	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>279,617</b>	<b>(15,000)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>32,389</b>	<b>(2,193)</b>
FUND BALANCES, Beginning of Year	2,719,370	18,664
Prior Period Adjustment	92,833	-
FUND BALANCES, Beginning of Year, Restated	2,812,203	18,664
<b>FUND BALANCES, End of Year</b>	<b>\$ 2,844,592</b>	<b>16,471</b>

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

<b>LOCAL ACCOMMODATIONS TAX FUND</b>	<b>LOCAL HOSPITALITY TAX FUND</b>	<b>TREE BANK FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
-	-	-	\$ 1,385,307
-	-	-	189,109
35,860	-	-	55,479
-	205,955	-	205,955
-	-	-	741,299
-	-	-	98,877
-	-	-	102,736
-	-	4,656	160,169
-	-	-	7,511
4,975	9,203	-	80,795
-	-	-	37,406
<b>40,835</b>	<b>215,158</b>	<b>4,656</b>	<b>3,064,643</b>
-	-	-	412,629
-	-	-	1,276,935
-	-	-	925,462
-	-	-	131,767
-	-	-	208,878
-	-	-	82,744
-	-	-	3,038,415
<b>40,835</b>	<b>215,158</b>	<b>4,656</b>	<b>26,228</b>
-	-	-	226,500
(41,500)	(170,000)	-	(276,500)
-	-	-	94,932
-	-	-	8,185
(41,500)	(170,000)	-	53,117
<b>(665)</b>	<b>45,158</b>	<b>4,656</b>	<b>79,345</b>
207,509	328,447	24,257	3,298,247
-	-	-	92,833
207,509	328,447	24,257	3,391,080
<b>206,844</b>	<b>373,605</b>	<b>28,913</b>	<b>\$ 3,470,425</b>

**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, 2008**

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<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 79,345</b>
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.	(1,476)
Governmental funds report only proceeds received from the sale of capital assets, without any consideration for the net book value of the asset(s) that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the asset(s) sold.	(1,308)
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.	208,878
Bond and lease purchase proceeds provide current financial resources to governmental funds, but issuing debt or entering into lease purchases also increases long term liabilities in the Statement of Net Assets.	(94,932)
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.	2,691
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.	(15,179)
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 (\$131,767) was less than depreciation expense (\$201,389) in the current period	(69,622)
<b>TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 108,397</b>

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, 2008

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 324,950	259,107	\$ 584,057
Cash and Cash Equivalents - Restricted	14,298	-	14,298
Due from Other Funds	-	1,375	1,375
Accounts Receivable	64,370	53,690	118,060
Prepaid Expenses	7,946	11,133	19,079
Total Current Assets	<b>411,564</b>	<b>325,305</b>	<b>736,869</b>
<b>Noncurrent Assets:</b>			
Unamortized Bond Issuance Costs	-	7,086	7,086
<b>Capital Assets:</b>			
Depreciable, Net	3,340,469	3,677,988	7,018,457
Total Noncurrent Assets	<b>3,340,469</b>	<b>3,685,074</b>	<b>7,025,543</b>
<b>TOTAL ASSETS</b>	<b>3,752,033</b>	<b>4,010,379</b>	<b>7,762,412</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	24,315	10,805	35,120
Accrued Interest	-	14,514	14,514
Other Accrued Liabilities	9,386	9,386	18,772
Due to Other Funds	1,375	-	1,375
Customer Deposits	14,298	-	14,298
Compensated Absences Liability	7,880	7,880	15,760
Lease Purchase Payable - Current Portion	11,865	28,532	40,397
Revenue Bond Payable - Current Portion	-	43,000	43,000
Total Current Liabilities	<b>69,119</b>	<b>114,117</b>	<b>183,236</b>
<b>Noncurrent Liabilities:</b>			
Lease Purchase Payable - Net of Current Portion	12,954	30,403	43,357
Revenue Bond Payable - Net of Current Portion	-	640,000	640,000
<b>TOTAL LIABILITIES</b>	<b>82,073</b>	<b>784,520</b>	<b>866,593</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	3,315,650	2,943,139	6,258,789
Unrestricted	354,310	282,720	637,030
<b>TOTAL NET ASSETS</b>	<b>\$ 3,669,960</b>	<b>3,225,859</b>	<b>\$ 6,895,819</b>

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, 2008

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 595,573	523,246	\$ 1,118,819
Meter Connections, Sewer Tie-In Fees, and Other Revenue	30,901	19,619	50,520
<b>TOTAL OPERATING REVENUES</b>	<b>626,474</b>	<b>542,865</b>	<b>1,169,339</b>
<b>OPERATING EXPENSES</b>			
Salaries	156,732	156,732	313,464
Payroll Taxes	11,575	11,576	23,151
Hospitalization Insurance	16,643	16,644	33,287
Retirement	12,724	12,724	25,448
Gas and Oil - Vehicles	5,074	5,074	10,148
Diesel Fuel and Equipment	2,835	2,845	5,680
Repairs and Maintenance - Diesel Equipment	11	-	11
Vehicle Repairs	1,530	1,530	3,060
Supplies and Tools	24,951	12,387	37,338
Office Supplies	3,912	3,853	7,765
Lab Supplies	1,409	2,384	3,793
Telephone	5,059	5,041	10,100
Power and Lights	2,276	39,896	42,172
Insurance	14,434	17,861	32,295
Equipment Repairs	4,124	19,606	23,730
System Repairs and Improvements	28,198	37,176	65,374
Sludge Disposal	-	26,015	26,015
Grit Disposal	-	918	918
Property & Equipment <\$5,000	4,327	1,166	5,493
CPW and Other Capital Improvements	10,810	3,000	13,810
Dues and Certifications	7,193	5,176	12,369
Collection System and Repairs	-	4,939	4,939
Training and Seminars	3,037	2,965	6,002
Professional Engineering Fees	2,777	12,573	15,350
Professional Services	4,780	4,780	9,560
Lab Analysis, Inspection, and Chemicals	4,597	16,289	20,886
Wholesale Water Purchase	99,399	-	99,399
Depreciation and Amortization	188,066	176,668	364,734
Miscellaneous	592	758	1,350
<b>TOTAL OPERATING EXPENSES</b>	<b>617,065</b>	<b>600,576</b>	<b>1,217,641</b>
<b>OPERATING INCOME (LOSS)</b>	<b>9,409</b>	<b>(57,711)</b>	<b>(48,302)</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Interest Income	6,982	7,038	14,020
Interest Expense	(1,345)	(33,362)	(34,707)
Gain (Loss) on Disposal of Capital Assets	-	-	-
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>5,637</b>	<b>(26,324)</b>	<b>(20,687)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>15,046</b>	<b>(84,035)</b>	<b>(68,989)</b>
Transfers In	189,656	-	189,656
Transfers Out	-	(139,656)	(139,656)
<b>CHANGE IN NET ASSETS</b>	<b>204,702</b>	<b>(223,691)</b>	<b>(18,989)</b>
NET ASSETS, Beginning of Year	3,465,258	3,449,550	6,914,808
NET ASSETS, End of Year	<b>\$ 3,669,960</b>	<b>3,225,859</b>	<b>\$ 6,895,819</b>

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, 2008

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 643,652	555,935	\$ 1,199,587
Cash Payments to Suppliers for Goods and Services	(383,303)	(248,675)	(631,978)
Cash Payments to Employees	(195,794)	(195,796)	(391,590)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>64,555</u>	<u>111,464</u>	<u>176,019</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Loan from Other Funds	(130,986)	134,185	3,199
Transfer from Other Funds	189,656	(139,656)	50,000
<b>NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES</b>	<u>58,670</u>	<u>(5,471)</u>	<u>53,199</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(181,650)	(60,931)	(242,581)
Principal Paid on Debt and Lease Purchase	(11,436)	(68,354)	(79,790)
Interest Paid on Debt and Lease Purchase	(1,346)	(33,589)	(34,935)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(194,432)</u>	<u>(162,874)</u>	<u>(357,306)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	6,982	7,038	14,020
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>6,982</u>	<u>7,038</u>	<u>14,020</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(64,225)</b>	<b>(49,843)</b>	<b>(114,068)</b>
CASH AND CASH EQUIVALENTS, Beginning of Year	403,473	308,950	712,423
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u><b>\$ 339,248</b></u>	<u><b>259,107</b></u>	<u><b>\$ 598,355</b></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Operating Income (Loss)	\$ 9,409	(57,711)	\$ (48,302)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	188,066	176,668	364,734
Change Due to (Increase) Decrease in Operating Assets:			
Other Receivable	14,372	13,070	27,442
Prepaid Expenses	580	(219)	361
Change Due to (Increase) Decrease in Operating Liabilities:			
Other Payables	(152,558)	(22,224)	(174,782)
Compensated Absences	1,880	1,880	3,760
Customer Deposits	2,806	-	2,806
<b>Net Cash Provided by Operating Activities</b>	<u><b>\$ 64,555</b></u>	<u><b>111,464</b></u>	<u><b>\$ 176,019</b></u>
<b>SUPPLEMENTAL INFORMATION FOR NONCASH ACTIVITIES:</b>			
Depreciation Expense	\$ 188,066	176,025	\$ 364,091
Amortization Expense	-	643	643
	<u><b>\$ 188,066</b></u>	<u><b>\$ 176,668</b></u>	<u><b>\$ 364,734</b></u>

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, 2008**

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**ASSETS**

Cash and Cash Equivalents	\$	73,996
<b>TOTAL ASSETS</b>		<b><u>73,996</u></b>

**LIABILITIES**

Due To Volunteer Fire Department		73,996
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>73,996</u></b>

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, 2008

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The Town of Sullivan's Island, South Carolina (the "Town") embraces an area of approximately five miles. The Town 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, 2008

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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, 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*Governmental fund types* are those through which most governmental functions of the 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 **Special Revenue Fund, a major special revenue fund**, was used for specific revenue sources. These funds were used and thus the fund was closed out in 2008.

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, 2008

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**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) Obligations of the United States and agencies thereof;
- (b) General obligations of the State of South Carolina or any of its political units;
- (c) Savings and Loan Associations to the extent that the same are insured by an agency of the Federal Government;

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

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

Investments (Continued)

- (d) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (a) and (b) above, held by a third party as escrow agent, or custodian of a market value, not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (e) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (f) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), and (e) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The 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.
- Open ended mutual funds which are primarily invested in money market funds which invest in short term obligations of the United States and related agencies.
- 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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

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.

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

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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

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

**8. Net Assets**

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

**9. Accounting Estimates**

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

**10. Comparative Data**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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.

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, 2008, none of the Town's bank balances of \$2,580,135 (with a carrying value of \$2,771,658) were exposed to custodial credit risk.

*Investments*

As of June 30, 2008, the Town had the following investments and maturities (as defined by GASB #40):

Investment Type	Credit Rating	Fair Value	Maturity (In Years)
State Local Government Investment Pool	Unrated	\$ 954,449	^
Open Ended Money Market Funds	Unrated	235,724	^
Total		<u>\$ 1,190,173</u>	

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

**Interest Rate Risk:** The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**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 does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. None of the Town's security investments were exposed to custodial credit risk at June 30, 2008.

**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 does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

A. Deposits and Investments (Continued)

*Investments (Continued)*

**Concentration of Credit Risk for Investments:** The Town places no limit on the amount the Town may invest in any one issuer. 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, 2008 were those imposed by the revenue source (i.e. hospitality tax, accommodations tax, etc.).

**Reconciliation to Statement of Net Assets**

<u>Statement of Net Assets</u>	
Unrestricted Current Assets:	
Cash and Cash Equivalents	\$ 3,238,816
Restricted Current Assets:	
Cash and Cash Equivalents, Restricted	<u>649,019</u>
	<u>\$ 3,887,835</u>
<u>Statement of Fiduciary Net Assets</u>	
Unrestricted Current Assets:	
Cash and Cash Equivalents	<u>\$ 73,996</u>
<b>Total per the basic financial statements</b>	<b><u>\$ 3,961,831</u></b>
<u>Footnotes</u>	
Carrying Value of Deposits	\$ 2,771,658
Investments	<u>1,190,173</u>
<b>Total per the foot notes</b>	<b><u>\$ 3,961,831</u></b>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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

**B. Property Taxes, Other Receivables, and Deferred Revenue**

The Town’s 2007 property taxes are levied on October 1, 2007 and were due beginning on this date based on the assessed valuation as of January 1, 2007. Property taxes were considered late on January 15, 2008. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

- January 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 2007 property tax year was 193.5 mills. Town property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

The Town had net receivables of \$118,060 related to business-type activities at June 30, 2008 which consisted of outstanding charges to customers for water and sewer services. The Town had net receivables related to governmental activities at June 30, 2008, of the following:

	General Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Hospitality Tax Fund	Totals
Property Taxes	\$ 26,566	-	-	-	\$ 26,566
Accommodations Taxes	-	10,735	10,833	-	21,568
Hospitality Taxes	-	-	-	62,401	62,401
Other	44,417	-	204	324	44,945
Net Receivables	<u>\$ 70,983</u>	<u>10,735</u>	<u>11,037</u>	<u>62,725</u>	<u>\$ 155,480</u>

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, 2008, the General Fund had \$13,752 in deferred revenue related to property taxes that were not available.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

C. Interfund Receivables, Payables, and Transfers

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

Fund	Receivables	Payables
<b><u>Major Enterprise Funds:</u></b>		
Water Fund	\$ -	\$ 1,375
Sewer Fund	1,375	-
Totals	<u>\$ 1,375</u>	<u>\$ 1,375</u>

The Water Fund collects all revenues related to the Enterprise Funds and thus has a payable due to the Sewer Fund for its portion of the revenues collected.

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

Fund	Transfers In	Transfers Out
<b><u>Major Governmental Funds:</u></b>		
General Fund	\$ 226,500	\$ 50,000
State Accommodations Tax Fund	-	15,000
Local Accommodations Tax Fund	-	41,500
Local Hospitality Tax Fund	-	170,000
<b><u>Major Enterprise Funds:</u></b>		
Water Fund	189,656	-
Sewer Fund	-	139,656
Totals	<u>\$ 416,156</u>	<u>\$ 416,156</u>

The transfers are primarily due to the individual funds reimbursing the General Fund for expenditures incurred. The General Fund transfer out was to reimburse the Water Fund for the settlement litigation referenced as a subsequent event in the prior year financial statements. The Sewer Fund transferred assets to the Water Fund that was recorded in previous years as an interfund receivable/payable.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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

**D. Capital Assets**

Capital asset activity for the Town’s governmental activities for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
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	366,255	19,000	8,552	376,703
Machinery and Equipment	581,242	28,719	124,900	485,061
Playground Equipment	179,571	-	1,389	178,182
Vehicles	966,836	84,048	73,321	977,563
Fire and Emergency Command Center	540,122	-	-	540,122
Total Capital Assets, Depreciable	<u>2,634,026</u>	<u>131,767</u>	<u>208,162</u>	<u>2,557,631</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	169,945	19,116	8,553	180,508
Machinery and Equipment	338,795	63,246	123,594	278,447
Playground Equipment	91,925	13,440	1,387	103,978
Vehicles	602,125	94,461	73,320	623,266
Fire and Emergency Command Center	166,677	11,126	-	177,803
Total Accumulated Depreciation	<u>1,369,467</u>	<u>201,389</u>	<u>206,854</u>	<u>1,364,002</u>
Total Capital Assets, Depreciable, Net	<u>1,264,559</u>	<u>(69,622)</u>	<u>1,308</u>	<u>1,193,629</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,301,951</u>	<u>(69,622)</u>	<u>1,308</u>	<u>\$ 1,231,021</u>

The cost of equipment recorded under lease purchase was approximately \$474,000 for governmental activities at June 30, 2008. Accumulated amortization on the equipment recorded under lease purchase was approximately \$148,000 for governmental activities at June 30, 2008. Amortization of assets recorded under lease purchase obligations has been included with depreciation expense.

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

Functions/Programs	Amount
Governmental Activities:	
Public Works	\$ 29,981
Public Safety	131,501
General Government	39,907
Total Depreciation Expense - Governmental Activities	<u>\$ 201,389</u>

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Non-Depreciable				
Land	\$ -	-	-	\$ -
Total Capital Assets, Non-Depreciable	-	-	-	-
Capital Assets, Depreciable				
Water System	4,014,641	181,650	-	4,196,291
Sewer System	4,733,527	60,931	-	4,794,458
Lab Equipment	14,774	-	-	14,774
Vehicles and Equipment	215,649	-	-	215,649
Leased Equipment	607,304	-	-	607,304
Total Capital Assets, Depreciable	9,585,895	242,581	-	9,828,476
Less: Accumulated Depreciation for:				
Water System	856,350	155,330	-	1,011,680
Sewer System	1,134,617	134,054	-	1,268,671
Lab Equipment	13,193	473	-	13,666
Vehicles and Equipment	129,480	21,416	-	150,896
Leased Equipment	311,645	53,461	-	365,106
Total Accumulated Depreciation	2,445,285	364,734	-	2,810,019
Total Capital Assets, Being Depreciated, Net	7,140,610	(122,153)	-	7,018,457
Business-Type Activities Capital Assets, Net	\$ 7,140,610	(122,153)	-	\$ 7,018,457

The cost of equipment recorded under lease purchase was approximately \$238,000 for business-type activities at June 30, 2008. Accumulated amortization on the equipment recorded under lease purchase was approximately \$122,000 for business-type activities at June 30, 2008. Amortization of assets recorded under lease purchase obligations has been included with depreciation expense.

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

Functions/Programs	Amount
Business-Type Activities:	
Water	\$ 188,066
Sewer	176,668
Total Depreciation Expense - Business-Type Activities	\$ 364,734

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

E. Long-Term Obligations

The 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, 2008 are as follows:

	Principal Outstanding at Year End
<b><u>General Obligation Bonds</u></b>	
\$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.	<u>\$ 1,780,000</u>
<b><u>Revenue Bonds</u></b>	
\$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 \$70,906 to \$76,103. 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, 2008.	<u>\$ 683,000</u>
<b><u>Lease Purchases</u></b>	
\$164,910 Lease Purchase (September 2001) was issued to finance a Pumper Truck. Principal and interest payments are paid annually beginning on September 12, 2001 and ending on September 12, 2008. Each total payment is \$23,910 and the interest rate is 4.48%. This is funded with resources from the General Fund.	\$ 22,885
\$124,870 Lease Purchase (June 2002) was issued to finance a Jet Vac Truck. Principal and interest payments are paid annually beginning on July 15, 2002 and ending on July 15, 2009. Each total payment is \$18,263 and the interest rate is 4.68%. This is funded with resources from the Sewer Fund.	34,117
\$32,395 Lease Purchase (July 2005) was issued to finance a Dri-Pass/Dewater Pump. Principal and interest payments are paid annually beginning on July 7, 2005 and ending on July 7, 2009. Each total payment is \$6,915 and the interest rate is 3.37%. This is funded equally with resources from the Water Fund and the Sewer Fund.	\$ 13,164

(Continued)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

E. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
 <i><u>Lease Purchases (Continued)</u></i>	
\$43,790 Lease Purchase (July 2005) was issued to finance a Dump Truck. Principal and interest payments are paid annually beginning on July 7, 2005 and ending on July 7, 2009. Each total payment is \$9348 and the interest rate is 3.37%. This is funded equally with resources from the Water Fund and the Sewer Fund.	\$ 17,791
\$56,090 Lease Purchase (October 2005) was issued to finance a Cisco Phone System. Principal and interest payments are paid monthly beginning on November 21, 2005 and ending on October 21, 2010. Each total payment is \$984 and the interest rate is 4.9%. This is funded with resources from the General Fund (75%), Water Fund (12.5%), and Sewer Fund (12.5%).	27,768
\$10,907 Lease Purchase (July 2006) was issued to finance a Cisco Phone System. Principal and interest payments are paid monthly beginning on July 21, 2006 and ending on October 21, 2010. Each total payment is \$234 and the interest rate is 4.9%. This is funded with resources from the General Fund (75%), Water Fund (12.5%), and Sewer	6,589
\$149,157 Lease Purchase (August 2006) was issued to finance five Ford Explorers and one Kubota tractor. Principal and interest payments are paid annually beginning on August 1, 2006 and ending on August 1, 2009. Each total payment is \$35,535, and the interest rate ranges from 4.27% to 4.30%. This is funded with resources from the General Fund for four of the trucks and the tractor, and with resources from the Water Fund and Sewer Fund for the remaining truck.	82,950
\$53,478 Lease Purchase (August 2007) was issued to finance two Ford trucks and one Kubota tractor. Principal and interest payments are paid annually beginning on February 15, 2008 and ending on February 15, 2011. Each total payment is \$15,366, and the interest rate ranges from 3.97% to 4.02%. This is funded with resources from the	39,214
\$41,454 Lease Purchase (May 2008) was issued to finance two Ford Explorers. Principal and interest payments are paid annually beginning on May 6, 2009 and ending on May 6, 2011. Each total payment is \$14,529, and the interest rate is 2.55%. This is funded with resources from the General Fund.	41,454
<b>Total Lease Purchases</b>	<b>\$ 285,932</b>

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

E. Long-Term Obligations (Continued)

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
GO Bond - 10/03	\$ 1,905,000	-	125,000	1,780,000	\$ 130,000
Lease Purchases:					
LP - 9/01	44,789	-	21,904	22,885	22,885
LP - 8/05	8,012	-	8,012	-	-
LP - 8/05	3,540	-	3,540	-	-
LP - 10/05	29,094	-	8,268	20,826	8,655
LP - 7/06	6,902	-	1,959	4,943	2,052
LP - 8/06	98,787	-	25,931	72,856	27,040
LP - 8/07	-	53,478	14,264	39,214	14,205
LP - 5/08	-	41,454	-	41,454	13,471
Total Lease Purchases	191,124	94,932	83,878	202,178	88,308
Compensated Absences	50,365	56,038	40,859	65,544	65,544
Total Governmental Activities	\$ 2,146,489	150,970	249,737	2,047,722	\$ 283,852
<b>Business-Type Activities:</b>					
Debt:					
Revenue Bond - 7/04 - Sewer	\$ 724,000	-	41,000	683,000	\$ 43,000
Water Lease Purchases:					
LP - 7/05	9,712	-	3,130	6,582	3,236
LP - 7/05	13,127	-	4,231	8,896	4,374
LP - 10/05	4,849	-	1,378	3,471	1,442
LP - 7/06	1,150	-	327	823	342
LP - 8/06	7,417	-	2,370	5,047	2,471
Total Water Lease Purchases	36,255	-	11,436	24,819	11,865
Sewer Lease Purchases:					
LP - 6/02	50,034	-	15,917	34,117	16,666
LP - 7/05	9,712	-	3,130	6,582	3,236
LP - 7/05	13,127	-	4,232	8,895	4,374
LP - 10/05	4,849	-	1,378	3,471	1,442
LP - 7/06	1,150	-	327	823	342
LP - 8/06	7,417	-	2,370	5,047	2,472
Total Sewer Lease Purchases	86,289	-	27,354	58,935	28,532
Compensated Absences	12,000	8,150	4,390	15,760	15,760
Total Business-Type Activities	\$ 858,544	8,150	84,180	782,514	\$ 99,157

The Town paid interest of \$82,744, and \$34,707 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, 2008

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, 2008.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2008, the Town had \$1,780,000 of bonded debt subject to the 8% limit of approximately \$4,800,000 resulting in an unused legal debt margin of approximately \$3,020,000.

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		Lease Purchase Obligations		Totals
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities</u></b>					
2009	\$ 130,000	68,429	88,308	7,848	\$ 294,585
2010	135,000	63,142	67,568	4,266	269,976
2011	140,000	57,656	37,307	3,601	238,564
2012	145,000	51,970	8,995	387	206,352
2013	155,000	45,985	-	-	200,985
2014 - 2018	875,000	129,975	-	-	1,004,975
2019 - 2020	200,000	3,990	-	-	203,990
Totals	\$ 1,780,000	421,147	202,178	16,102	\$ 2,419,427
<b><u>Business-Type Activities</u></b>					
2009	\$ 43,000	28,114	40,397	3,428	\$ 114,939
2010	45,000	26,244	42,073	1,753	115,070
2011	47,000	24,289	1,284	679	73,252
2012	50,000	22,228	-	-	72,228
2013	52,000	20,060	-	-	72,060
2014 - 2018	303,000	63,814	-	-	366,814
2019 - 2020	143,000	6,141	-	-	149,141
Totals	\$ 683,000	190,890	83,754	5,860	\$ 963,504

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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

**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 \$1,780,000 balance outstanding at June 30, 2008 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.

**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 Insurance Reserve Fund, 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, 2008, the Town made premium payments totaling approximately \$138,000.

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, 2008, the Town made premium payments totaling approximately \$70,000. 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, 2007 totaled approximately \$15,342,000.

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, 2008, the Town made premium payments totaling approximately \$174,000. 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.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION (CONTINUED)

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.

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		
	2006	2007	2008	2006	2007	2008
<u>Employer Rate</u>						
Retirement	7.55%	8.05%	9.06%	10.30%	10.30%	10.30%
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>7.70%</u>	<u>8.20%</u>	<u>9.21%</u>	<u>10.70%</u>	<u>10.70%</u>	<u>10.70%</u>
Employee Rate	<u>6.25%</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
2008	\$ 68,194	100%	9.21%	\$ 81,489	100%	10.70%
2007	49,828	100%	8.20%	79,215	100%	10.70%
2006	\$ 53,861	100%	7.70%	\$ 73,490	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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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**IV. OTHER INFORMATION (CONTINUED)**

**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, 2008.

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.

In June 2008, the Town entered into a contract with a firm, in the amount of \$94,400, for consulting services for the preparation of an Accreted Land Management Plan.

**E. Subsequent Events**

**Commitments**

In August 2008, the Town entered into a contract with a firm, in the amount of \$83,985, for consulting services for the preparation of a Community Commercial District Master Plan.

**F. Prior Period Adjustment**

The Town expensed the premiums for property and casualty insurance and worker's compensation that were paid during the year ended June 30, 2007, but a portion of premiums paid were for insurance coverage for the year ended June 30, 2008. The beginning Fund Balance of the General Fund was increased by \$92,833, which represents the amount of premiums considered prepaid at June 30, 2007.

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# 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, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property Taxes	\$ 1,502,642	1,502,642	1,385,307	\$ (117,335)
Local Option Sales Tax	199,000	199,000	189,109	(9,891)
Licenses and Franchise Fees	450,450	450,450	741,299	290,849
Magistrate and Recorder Fines	110,000	110,000	98,877	(11,123)
State Shared Revenues	103,135	103,135	102,736	(399)
Permits	161,430	161,430	155,513	(5,917)
Proceeds from Sale of Capital Assets	-	-	8,185	8,185
Victims' Rights Fund	5,000	5,000	7,511	2,511
Interest	110,000	110,000	66,293	(43,707)
Other	3,765	3,765	37,406	33,641
<b>TOTAL REVENUES ALL SOURCES</b>	<b>2,645,422</b>	<b>2,645,422</b>	<b>2,792,236</b>	<b>146,814</b>
<b>EXPENDITURES</b>				
Maintenance	470,991	470,991	435,642	35,349
Police	713,376	713,376	660,311	53,065
Fire	754,184	754,184	701,847	52,337
Recreation	38,800	38,800	16,266	22,534
Administrative	1,239,121	1,239,121	1,122,281	116,840
<b>TOTAL EXPENDITURES</b>	<b>3,216,472</b>	<b>3,216,472</b>	<b>2,936,347</b>	<b>280,125</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(571,050)</b>	<b>(571,050)</b>	<b>(144,111)</b>	<b>426,939</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	216,300	216,300	226,500	10,200
Transfers Out	-	-	(50,000)	(50,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>216,300</b>	<b>216,300</b>	<b>176,500</b>	<b>(39,800)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(354,750)</b>	<b>(354,750)</b>	<b>32,389</b>	<b>387,139</b>
FUND BALANCES, Beginning of Year	2,719,370	2,719,370	2,719,370	-
Prior Period Adjustment	-	-	92,833	92,833
<b>FUND BALANCES, Beginning of Year, Restated</b>	<b>2,719,370</b>	<b>2,719,370</b>	<b>2,812,203</b>	<b>92,833</b>
<b>FUND BALANCES, End of Year</b>	<b>\$ 2,364,620</b>	<b>2,364,620</b>	<b>2,844,592</b>	<b>\$ 479,972</b>
<b>RECONCILIATION TO GAAP BASIS AMOUNTS:</b>				
Total Revenues and Transfer In			\$ 3,018,736	
Proceeds from Lease Purchases			94,932	
<b>TOTAL GENERAL FUND REVENUES OTHER SOURCES</b>			<b>\$ 3,113,668</b>	
Total Expenditures and Transfer Out			\$ 2,986,347	
Capital Outlay Financed with Lease Purchase Proceeds			94,932	
<b>TOTAL GENERAL FUND EXPENDITURES OTHER USES</b>			<b>\$ 3,081,279</b>	

Note: The above schedule reflects the budgeted use of appropriated prior year fund balance of \$ 354,750 for the current year.

Note: The Town prepares the budget on a basis of accounting that is not consistent with generally accepted with accounting principles.

See Note II.A in the notes to the basic financial statements for more details.

## Other Supplementary Information

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2008

	2008		VARIANCE
	FINAL BUDGET	ACTUAL	POSITIVE (NEGATIVE)
<b>MAINTENANCE</b>			
Operating Expenditures:			
Salaries	\$ 129,837	118,265	\$ 11,572
Payroll Taxes	9,402	8,568	834
Hospitalization Insurance	18,527	15,048	3,479
Retirement	11,958	8,871	3,087
Gas and Oil - Vehicles	7,500	8,847	(1,347)
Diesel Fuel	3,500	1,889	1,611
Vehicle Repairs	4,000	7,060	(3,060)
Supplies and Materials	6,000	8,791	(2,791)
Tools	2,500	446	2,054
Telephone	4,500	3,364	1,136
Power and Lights	28,000	26,234	1,766
Insurance	22,000	21,529	471
Equipment Repairs	6,000	11,364	(5,364)
800 MHZ Radios	1,150	-	1,150
System Repairs and Improvements	20,000	6,565	13,435
Garbage Disposal Service - Subcontract	156,890	151,436	5,454
Container Servicing	7,000	6,897	103
Causeway Maintenance	4,500	1,848	2,652
Miscellaneous	10,000	5,607	4,393
Total Operating Expenditures	453,264	412,629	40,635
Capital Expenditures:			
Lease Purchase Payments	17,727	23,013	(5,286)
Capital Outlay	-	-	-
TOTAL EXPENDITURES	470,991	435,642	35,349
Adjustments to GAAP Basis Expenditures:			
Capital Outlay Financed with Lease Purchase Proceeds		32,181	
TOTAL EXPENDITURES		467,823	
<b>POLICE</b>			
Operating Expenditures:			
Salaries	342,869	325,597	17,272
Payroll Taxes	25,535	24,355	1,180
Hospitalization Insurance	50,127	54,035	(3,908)
Retirement	36,687	34,515	2,172
Gas and Oil - Vehicles	36,750	31,789	4,961
Diesel Fuel	600	-	600
Vehicle Repairs	\$ 20,335	19,467	\$ 868

(Continued)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2008

	2008		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
Supplies and Materials	\$ 21,540	17,459	\$ 4,081
Telephone	14,000	11,329	2,671
Power and Lights	5,500	4,457	1,043
Insurance	40,000	40,494	(494)
800 MHZ Radios	8,172	-	8,172
Property & Equipment <\$5,000	8,000	10,322	(2,322)
Equipment Repairs	3,500	1,737	1,763
System Repairs and Improvements	16,000	16,041	(41)
Dues and Certifications	500	315	185
Training and Seminars	6,500	5,932	568
Dispatching Services	18,500	17,940	560
Miscellaneous	2,000	2,054	(54)
Total Operating Expenditures	657,115	617,838	39,277
Capital Expenditures:			
Lease Purchase Payments	36,261	23,473	12,788
Capital Outlay	20,000	19,000	1,000
TOTAL EXPENDITURES	713,376	660,311	53,065
Adjustments to GAAP Basis Expenditures:			
Capital Outlay Financed with Lease Purchase Proceeds		41,454	
TOTAL EXPENDITURES		701,765	

**FIRE**

Operating Expenditures:			
Salaries	368,075	375,622	(7,547)
Payroll Taxes	27,858	27,418	440
Hospitalization Insurance	47,588	51,951	(4,363)
Retirement	39,384	39,913	(529)
Gas and Oil - Vehicles	7,500	7,064	436
Diesel Fuel	4,500	4,664	(164)
Vehicle Repairs	7,500	11,622	(4,122)
Supplies and Materials	15,000	31,168	(16,168)
Tools	500	-	500
Telephone	9,000	10,208	(1,208)
Power and Lights	9,000	8,010	990
Insurance	40,000	41,690	(1,690)
Equipment Repairs	4,000	7,683	(3,683)
800 MHZ Radios	15,049	-	15,049
Property & Equipment <\$5,000	-	6,125	(6,125)
System Repairs and Improvements	\$ 8,000	4,180	\$ 3,820

(Continued)

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

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

**YEAR ENDED JUNE 30, 2008**

	<b>2008</b>		<b>VARIANCE POSITIVE (NEGATIVE)</b>
	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	
Dues and Certifications	\$ 1,000	190	\$ 810
Training and Seminars	7,000	4,126	2,874
Dispatching Services	18,500	17,940	560
Miscellaneous	8,500	9,523	(1,023)
Total Operating Expenditures	<u>637,954</u>	<u>659,097</u>	<u>(21,143)</u>
Capital Expenditures:			
Lease Purchase Payments	116,230	42,750	73,480
<b>TOTAL EXPENDITURES</b>	<u>754,184</u>	<u>701,847</u>	<u>52,337</u>
Adjustments to GAAP Basis Expenditures:			
Capital Outlay Financed with Lease Purchase Proceeds		21,297	
<b>TOTAL EXPENDITURES</b>		<u>723,144</u>	
<b>RECREATION</b>			
Operating Expenditures:			
Supplies and Materials	3,000	575	2,425
Power and Lights	5,500	6,432	(932)
Insurance	1,500	1,394	106
System Repairs and Improvements	18,000	1,050	16,950
Maintenance Recreation Area	2,500	783	1,717
New Projects	5,000	5,000	-
Pool Expense	300	-	300
Miscellaneous	1,000	1,032	(32)
Total Operating Expenditures	<u>36,800</u>	<u>16,266</u>	<u>20,534</u>
Capital Expenditures:			
Capital Outlay	2,000	-	2,000
<b>TOTAL EXPENDITURES</b>	<u>38,800</u>	<u>16,266</u>	<u>22,534</u>
<b>ADMINISTRATIVE</b>			
Operating Expenditures:			
Salaries	378,711	392,985	(14,274)
Payroll Taxes	28,082	31,680	(3,598)
Hospitalization Insurance	43,070	37,621	5,449
Retirement	33,815	40,939	(7,124)
Gas and Oil - Vehicles	3,000	2,028	972
Travel Allowance - Building Inspector	750	-	750
Office Supplies	20,000	27,815	(7,815)
Travel Allowance - Recorder	\$ 1,500	543	\$ 957

(Continued)

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

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

**YEAR ENDED JUNE 30, 2008**

	<b>2008</b>		<b>VARIANCE POSITIVE (NEGATIVE)</b>
	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	
Advertising	\$ 2,000	5,114	\$ (3,114)
BZA Expense	4,000	1,483	2,517
DRB Expense	15,600	14,942	658
Recorder's Supplies	500	930	(430)
Building Inspector's Supplies	3,000	1,640	1,360
Boat Permit	100	-	100
Telephone	12,000	12,294	(294)
Power and Lights	5,000	5,319	(319)
Insurance	63,000	63,512	(512)
Equipment Repairs	2,000	172	1,828
System Repairs and Improvements	39,550	42,699	(3,149)
Dues and Certifications	4,000	4,309	(309)
Training and Seminars	6,000	5,463	537
Municipal	500	1,956	(1,456)
Professional Engineering Fees	131,200	23,685	107,515
Fee Simple Deed Costs	100	13	87
Victim's Rights Fund	3,000	5,201	(2,201)
Professional Services	73,500	83,696	(10,196)
Criminal Justice Academy	40,000	47,941	(7,941)
Tree Commission expense	500	178	322
Trimming and Pruning Expense	8,000	9,600	(1,600)
County Accommodations Fund	12,000	-	12,000
800 MHZ Radios	1,527	-	1,527
Property & Equipment <\$5,000	13,000	14,397	(1,397)
Bonds Debt Services	198,516	198,460	56
Council Expenditures	2,400	2,563	(163)
Planning Expense	3,600	2,512	1,088
Operating Lease	-	406	(406)
Miscellaneous	12,000	18,424	(6,424)
Total Operating Expenditures	1,165,521	1,100,520	65,001
Capital Expenditures:			
Lease Purchase Payments	3,600	3,926	(326)
Capital Outlay	70,000	17,835	52,165
<b>TOTAL EXPENDITURES</b>	1,239,121	1,122,281	\$ 116,840
 <b>TOTAL GENERAL FUND EXPENDITURES</b>	 3,216,472	 2,936,347	
 <b>RECONCILIATION TO GAAP EXPENDITURES:</b>			
Capital Outlay Financed with Lease Purchase Proceeds	-	94,932	
<b>TOTAL GENERAL FUND EXPENDITURES</b>	\$ 3,216,472	3,031,279	

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, 2008

	2008		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
<b>OPERATING REVENUES</b>			
Sewer Service Charges	\$ 581,956	523,246	\$ (58,710)
Other Revenue	14,000	19,619	5,619
<b>TOTAL OPERATING REVENUES</b>	<b>595,956</b>	<b>542,865</b>	<b>(53,091)</b>
<b>OPERATING EXPENSES</b>			
Salaries	166,478	156,732	9,746
Payroll Taxes	12,736	11,576	1,160
Hospitalization Insurance	23,139	16,644	6,495
Retirement	12,626	12,724	(98)
Gas and Oil - Vehicles	6,000	5,074	926
Diesel Fuel and Equipment	4,100	2,845	1,255
Vehicle Repairs	2,300	1,530	770
Supplies and Tools	11,000	12,387	(1,387)
Office Supplies	2,600	3,853	(1,253)
Lab Supplies	2,500	2,384	116
Telephone	5,000	5,041	(41)
Power and Lights	38,000	39,896	(1,896)
Insurance	15,000	17,861	(2,861)
Equipment Repairs	4,000	19,606	(15,606)
System Repairs and Improvements	25,000	37,176	(12,176)
Sludge Disposal	15,000	26,015	(11,015)
Grit Disposal	1,000	918	82
Property & Equipment <\$5,000	2,500	1,166	1,334
Capital Improvements	60,000	3,000	57,000
Depreciation and Amortization	10,000	176,668	(166,668)
Collection System and Repairs	10,000	4,939	5,061
Dues and Certifications	6,000	5,176	824
Training and Seminars	4,000	2,965	1,035
Professional Engineering Fees	40,000	12,573	27,427
Professional Services	6,000	4,780	1,220
Bond Interest	75,000	29,672	45,328
Lab Analysis, Inspection, and Chemicals	11,500	16,289	(4,789)
Miscellaneous	1,123	758	365
Total Operating Expenses	572,602	630,248	(57,646)
OPERATING INCOME (LOSS)	23,354	(87,383)	(110,737)
CAPITAL EXPENDITURES (Including Lease Purchase Payments)	(43,854)	-	43,854
<b>NONOPERATING REVENUES</b>			
Interest Income	10,000	7,038	(2,962)
Transfers In from Other Funds	15,000	-	(15,000)
Transfers Out to Other Funds	(4,500)	(139,656)	(135,156)
NET INCOME (LOSS)	\$ -	(220,001)	\$ (220,001)
<b>RECONCILIATION TO GAAP BASIS:</b>			
Non-Budgeted Revenues (Expenses)			
Capitalized Sewer Modifications Included in System			
Interest Expense		(3,690)	
<b>INCREASE IN NET ASSETS</b>		<b>(223,691)</b>	
NET ASSETS, Beginning of Year		3,449,550	
<b>NET ASSETS, End of Year</b>		<b>\$ 3,225,859</b>	

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, 2008

	2008		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
<b>OPERATING REVENUES</b>			
Water Sales	\$ 605,746	595,573	\$ (10,173)
Meter Connections	44,700	30,901	(13,799)
<b>TOTAL OPERATING REVENUES</b>	<b>650,446</b>	<b>626,474</b>	<b>(23,972)</b>
<b>OPERATING EXPENSES</b>			
Salaries	166,477	156,732	9,745
Payroll Taxes	12,736	11,575	1,161
Hospitalization Insurance	23,139	16,643	6,496
Retirement	12,626	12,724	(98)
Gas and Oil - Vehicles	6,000	5,074	926
Diesel Fuel and Equipment	2,000	2,835	(835)
Repairs and Maintenance - Diesel Equipment	1,000	11	989
Vehicle Repairs	2,200	1,530	670
Supplies and Tools	29,500	24,951	4,549
Office Supplies	3,500	3,912	(412)
Lab Supplies	2,200	1,409	791
Telephone	5,000	5,059	(59)
Power and Lights	2,200	2,276	(76)
Insurance	11,000	14,434	(3,434)
Equipment Repairs	2,000	4,124	(2,124)
System Repairs and Improvements	30,000	28,198	1,802
Sludge Disposal	-	-	-
Property & Equipment <\$5,000	5,000	4,327	673
Capital Improvements	90,000	-	90,000
Depreciation	10,000	188,066	(178,066)
Dues and Certifications	10,000	7,193	2,807
Training and Seminars	4,000	3,037	963
Professional Engineering Fees	22,000	2,777	19,223
Professional Services	6,000	4,780	1,220
Lab Analysis, Inspection, and Chemicals	9,200	4,597	4,603
CPW Improvements	55,000	10,810	44,190
Wholesale Water Purchases	105,000	99,399	5,601
Miscellaneous	1,584	592	992
Total Operating Expenses	629,362	617,065	12,297
OPERATING INCOME (LOSS)	21,084	9,409	(11,675)
CAPITAL EXPENDITURES (Including Lease Purchase Payments)	(26,584)	-	26,584
<b>NONOPERATING REVENUES</b>			
Interest Income	10,000	6,982	(3,018)
Gain on Sale of Capital Assets	-	-	-
Transfers In from Other Funds	-	189,656	189,656
Transfers Out to Other Funds	(4,500)	-	4,500
NET INCOME (LOSS)	\$ -	206,047	\$ 206,047
<b>RECONCILIATION TO GAAP BASIS:</b>			
Non-Budgeted Revenues (Expenses)			
Interest Expense		(1,345)	
<b>INCREASE IN NET ASSETS</b>		<b>204,702</b>	
NET ASSETS, Beginning of Year		3,465,258	
<b>NET ASSETS, End of Year</b>		<b>\$ 3,669,960</b>	

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

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

**YEAR ENDED JUNE 30, 2008**

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	<u>2008</u>
<b>COURT FINES</b>	
Court Fines Collected	\$ 51,579
Court Fines Retained by Town	(51,579)
Court Fines Remitted to the State Treasurer	<u>\$ -</u>
<b>COURT ASSESSMENTS</b>	
Court Assessments Collected	\$ 42,410
Court Assessments Allocated to Victim Services	(4,533)
Court Assessments Remitted to the State Treasurer	<u>\$ 37,877</u>
<b>COURT SURCHARGES</b>	
Court Surcharges Collected	\$ 12,398
Court Surcharges Allocated to Victim Services	(2,335)
Court Surcharges Remitted to the State Treasurer	<u>\$ 10,063</u>
<b>VICTIMS SERVICES</b>	
Court Assessments Allocated to Victim Services	\$ 4,533
Court Surcharges Allocated to Victim Services	2,335
Funds Allocated to Victim Services	<u>6,868</u>
Victim Services Expenditures	(5,201)
Capital Outlay	<u>-</u>
Funds Available for Carry Forward	1,667
Victim Services Balance at Beginning of Year	<u>21,933</u>
<b>Victim Services Balance at End of Year</b>	<u><u>\$ 23,600</u></u>