

# Town of Surfside Beach

*"The Family Beach It's All—Right Here!"*

## Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2011



### Surfside Beach, South Carolina

*Dedicated people providing quality and responsive service to our community.*

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Prepared By:

Finance Department

Kimberly Hursey, Finance Officer



## **INTRODUCTORY SECTION**



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 Year Ended June 30, 2011**

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**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**PRINCIPAL OFFICIALS**

**June 30, 2011**

**ELECTED**

Mayor.....K. Allen Deaton  
Mayor Pro Tem..... Robert F. Childs, III  
Town Councilwoman.....Vickie W. Blair  
Town Councilman .....Mark L. Johnson  
Town Councilman ..... Douglas F. Samples  
Town Councilwoman..... Anne F. Dodge  
Town Councilman ..... Roderick E. Smith

**APPOINTED**

Town Administrator.....James W. Duckett, Jr.  
Deputy Town Administrator..... Micki C. Fellner  
Finance Officer ..... Kimberly S. Hursey, CGFO  
Town Clerk..... Sharon Pinnell  
Police Chief ..... Michael O. Frederick, Jr.  
Fire Chief..... Robert C. Packard  
Planning, Building and Zoning Director..... Jackie Donevant  
Public Works Director ..... John G. Adair





TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

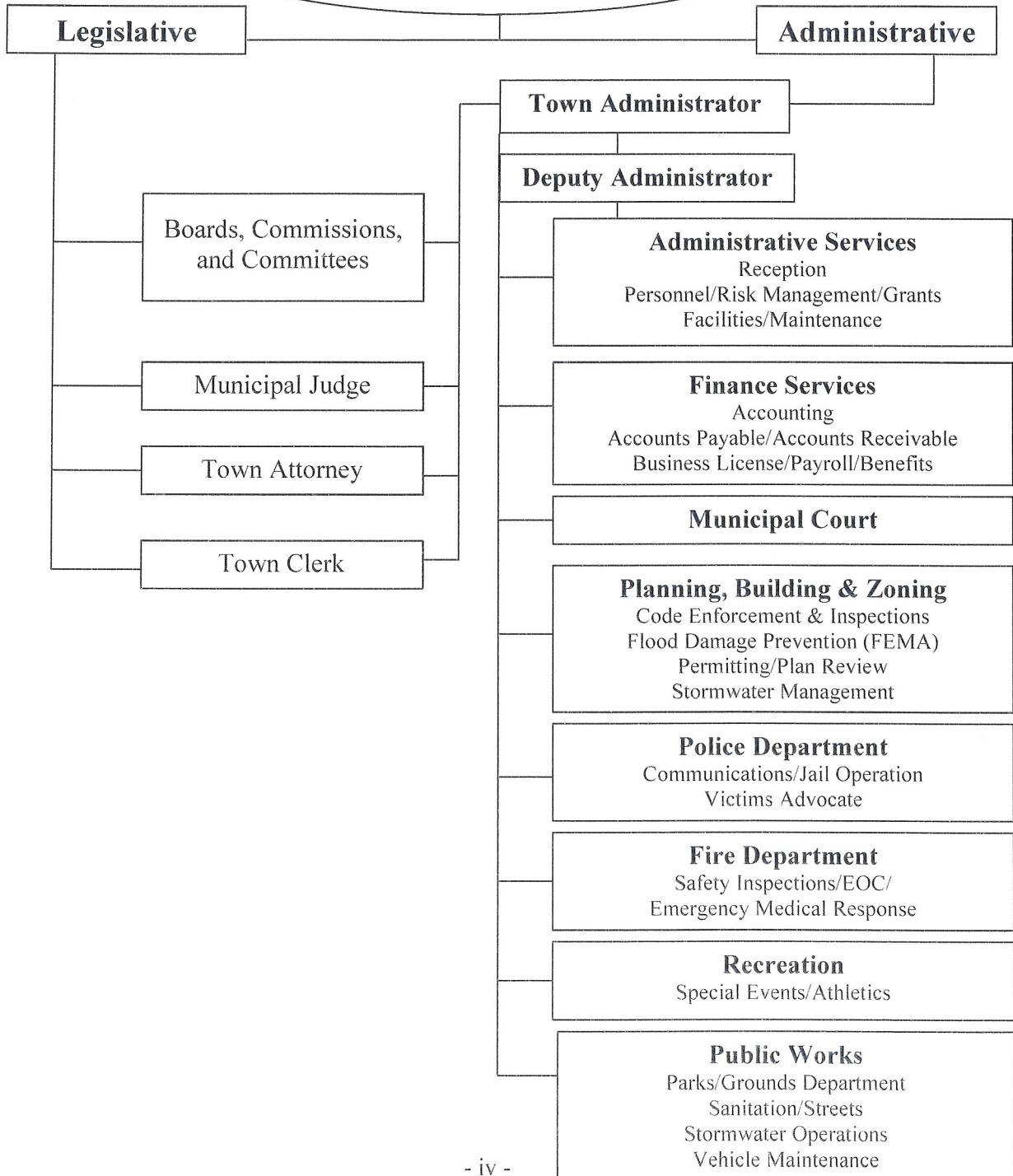
ORGANIZATIONAL CHART

June 30, 2011

**CITIZENS OF  
SURFSIDE BEACH**

**TOWN COUNCIL**

(Mayor & 6 Councilmembers)



**Town Hall**  
**115 U.S. Highway 17 North**  
**Surfside Beach, SC 29575**



**Telephone: 843.913.6111**  
**Facsimile: 843.238.5432**  
**Email:**  
**Town@surfsidebeach.org**

## **TOWN OF SURFSIDE BEACH**

www.surfsidebeach.org

November 11, 2011

To Town Council and the Citizens and Friends of Surfside Beach, South Carolina:

The Comprehensive Annual Financial Report of the Town of Surfside Beach for the fiscal year ended June 30, 2011, is hereby submitted for your review and information and to meet the requirements of South Carolina Law.

The responsibility for the accuracy of all presented data, the completeness, and the fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the information is accurate in all material respects and is reported based on a comprehensive framework of internal controls that have been established for this purpose.

The financial statements of the Town of Surfside Beach consist only of all the departments and funds of the Town. There are no separate governmental units or agencies combined to form the reporting entity since the Town is not financially accountable for any other separate organizations. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatement.

Harper, Poston, & Moree, P.A., Certified Public Accountants, have issued an unqualified opinion on the Town of Surfside Beach's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial statement section of this report.

Generally Accepted Accounting Principals (GAAP) requires management to provide a narrative introduction, overview and analysis to the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A begins on page 3.

### **Profile of the Government**

The Town of Surfside Beach is located in the southeastern area of Horry County, between the Atlantic Ocean, to the east, and the Intracoastal Waterway, six miles to the west. The northern municipal limits of the Town are four miles south of Myrtle Beach, South Carolina, and approximately 20 miles from Conway, South Carolina, the county seat. The Town is two miles long and one mile wide and approximately 90 percent developed.

*Dedicated people providing quality and responsive service to our community.*



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The Town of Surfside Beach was incorporated in 1964 and operates under the council form of government as authorized under state law. Legislative authority is vested in the Mayor and six Council Members, who are elected at large to serve four-year overlapping terms of office. The Mayor is the presiding officer of Town Council.

The Council appoints an Administrator to serve as the chief executive and administrative officer to oversee the day-to-day operations of the Town. The Administrator is responsible for implementing the policies and ordinances of Town Council. The Administrator is assisted by a Deputy Administrator as well as several staff departments including planning, building and zoning, finance, police, fire, parks and grounds, athletics, recreation and special events, a municipal court, and a public works division.

The Town of Surfside Beach provides a full range of services, including police and fire protection, sanitation service, repair and maintenance of town roads and infrastructure, building regulation, planning, zoning, and code enforcement, stormwater management, recreation and cultural activities.

The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. Activities of the General Fund, Special Revenue Funds, Capital Projects Fund and Enterprise Funds are included in the annual appropriated budget, which is prepared using Generally Accepted Accounting Principles (GAAP) in all material respects. The level of budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is at the fund level. All appropriations lapse at the end of each year.

## **Local Economy**

The Town of Surfside Beach has grown dramatically since incorporation. Although the 2010 Census now reports that there are 3,837 permanent residents, the previous Census reported that 4,425 permanent residents lived in the town, compared to just 880 when the town was incorporated. Significant growth and development have taken place along the Town's oceanfront in the last decade. In addition, commercial development continues to rise along the Town's business district on Surfside Drive and along US Highway 17 Business. The Town of Surfside Beach is heavily dependent on the tourism industry as related businesses pay a vast majority of the taxes and fees used to provide services to the residents. The Town's beach location continues to promote tourism-related business and redevelopment.

Tourism, South Carolina's largest industry is the element that keeps the northern coastal area of the state financially solvent. The Town of Surfside Beach, like the rest of Horry County and much of Georgetown County to the south, is dominated by tourist-related businesses, which include accommodations, food and beverage establishments, retail, golf, fishing piers, amusement and water parks, and many other attractions. The area supports numerous live entertainment theaters that feature various musical artists, comedians, and Broadway-type shows. The Town currently has three major

hotels, a multitude of condominiums and second-home properties, of which most are low-density, single-family residences and classified transient rentals (i.e., short-term rentals to visitors).

The retail industry has expanded tremendously in recent years due to the advancement of tourism. The South Strand area, in which the Town of Surfside Beach is located, offers everything from conventional malls and outlets to outdoor complexes that combine specialty shops and dining along lakesides and waterways. The beaches in Horry and Georgetown counties account for more than 40 percent of the state's tourism revenue.

The tourism industry contributes revenue to the Town of Surfside Beach through the collection of Hospitality Fees and Accommodations Taxes. In the past ten years these special revenues have increased by over \$600,000. These fees are used to cover the escalating costs of public safety due to the high percentage of tourists in the area. During the past ten years, the Town's expenses relating to public safety have doubled as a percentage of total expenditures as the demand for services has increased.

Business license and building permit revenue have been a significant revenue source over the past ten years due to the demands of tourism and housing, the Municipal Association of South Carolina's tax collection programs and the development of the beach area. Currently, business licensing and permitting contribute 28% to general fund revenue. The Town Council is committed to promoting new and established businesses in town and is currently working on the downtown redevelopment of Surfside Drive. It is expected that our local economy will continue to support our local businesses, restaurants, property development and new rental properties, which will sustain business license and building permit revenues.

### **Long-Term Financial Planning**

For the fiscal year ended June 30, 2011 the Town of Surfside Beach implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". GASB is the Governmental Accounting Standards Board. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications. The classifications describe the relative strength of the spending constraints placed on the purposes for which the Town's resources can be used. Unassigned fund balance in the general fund stands at 33% of total general fund revenues. Unassigned fund balance consists of amounts that are available for any purpose. The general fund is the only fund that reports unassigned fund balance. Town Council has not set a formal fund balance policy.

Two years ago the Town Council approved an advance from its general fund to its newly formed pier enterprise fund, for the purchase of the Surfside Beach Fishing Pier. The Town Council has elected to defer the first two (2) years principal re-payment of this advance. The pier enterprise will continue to pay the general fund an interest payment during this time and will begin principal repayment in 2012 for the next ten years. The Town has elected to do this rather than incur debt.

The Town Council has decided to construct and maintain the Town's stormwater infrastructure and comply with the Clean Water Act without incurring additional debt. A 5 mill tax levy for stormwater improvements and water quality maintenance has been used to fund such projects. Town Council has approved the continuation of the stormwater millage through 2012.

### **Relevant Financial Policies**

The Town's investment policy is to minimize risks while maintaining a competitive yield on its funds; accordingly, cash available for investing during the year was primarily managed using a money market sweep arrangement with the Town's principal banking institution, First Federal of Charleston. The Town's funds are covered under an Irrevocable Letter of Credit with the Federal Home Loan Bank of Atlanta. Additional funds are invested in the State Local Government Investment Pool. The State Local Government Investment Pool is a pool of funds belonging to participating local governments and is managed by the State Treasurer. These funds are invested in obligations of the United States and its agencies and in repurchase agreements collateralized by US Government instruments.

The Town transfers most of its risk exposure related to tort, auto liability and property damage through insurance contracts with the South Carolina Municipal Insurance Reserve Fund. A separate policy is held with Moore and Associates of Surfside and underwritten by Lloyd's of London for the Town's fishing pier. Employee benefits such as workers compensation, medical, dental, vision, and life insurance coverage are provided through contracts with the South Carolina Municipal Insurance Trust, United Healthcare and Guardian. Unemployment coverage is through the South Carolina Employment Security Commission. The Town does not offer any post-employment or post-retirement employee benefits and COBRA benefits are handled by United Healthcare.

### **Major Initiatives – Year in Review**

The Town of Surfside Beach has completed its first year-end under the prescribed new fiscal period; July 1<sup>st</sup> to June 30<sup>th</sup>. The last fiscal period covered a fifteen-month term, as the Town transitioned. This is important to remember when comparing the prior fiscal period to the year ending June 30, 2011 which was only a twelve-month term.

The South Carolina Code of Laws provides for equalization and stabilization of property value assessments and every five year's each county has the responsibility to appraise and equalize those properties under its jurisdiction. A countywide property tax reassessment was completed in Horry County for the tax year 2010. In reassessment years, when total valuations increase, a rollback millage is computed to ensure tax revenue remains neutral in the reassessment year. For the 2010 tax year the Town of Surfside Beach rolled back the millage from 44 mils to 40 mils.

The Town remains committed to providing both essential and recreational facilities as well as quality services, parks, recreation activities, amenities, and events to its citizens and friends. To this end, the fire station was completed and an official grand opening was held on October 16, 2010. The occasion brought many citizens, staff, and friends of the Town of Surfside Beach together to enjoy the celebration. The festivities began with a blessing and dedication and proceeded with a wet down ceremony and a tour of the facility. The event included activities for the children, lunch, and cake for an estimated crowd of 250 visitors. The Town also completed the relocation and build-out of the Skateboard Park. This park is now located in the Town Hall complex next to the new fire station and has benches for visitors to watch the skateboarders in action. These projects were funded entirely with the use of Hospitality Funds. In an effort to maintain and preserve our greatest asset, the beach, this year we also completed the Dunes Crossover project with the use of Accommodations Taxes.

The Town of Surfside Beach purchased the Surfside Beach fishing pier and properties in October of 2008 and this year continued with a schedule of repairs and maintenance improvements needed to keep it operational. This ongoing investment ensures that the Surfside Beach Pier will remain a focal point for the town and continue to promote tourism. This marks our second annual July 4<sup>th</sup> Celebration which included a grand fireworks display held at the pier. It is estimated that over 35,000 people were in attendance. In view of the fact that during the past 15 years over half the piers in the Grand Strand area have been torn down and replaced with hotels or condominiums, we are gratified that the pier purchase has succeeded in preserving a small piece of history.

The Town of Surfside Beach continues to provide stormwater relief and education to its citizens. This year the Town added a third collection site to its existing partnership with Coastal Carolina University's (CCU) water quality monitoring program. This program uses citizen volunteers that have been trained to collect water samples in Town. These samples, once collected, are tested and monitored by CCU. This year the Town also completed several lake enhancement projects which served to improve the esthetic and water quality of Town lakes. These projects included the Floral and Dogwood Lake Outfalls over which observation decks were constructed. Aerators, fountains, lighting and other enhancements were also added. The Town's Grounds Department continues to maintain the lakes to enhance the quality of life for the citizens and those who visit the Town of Surfside Beach.

### **Major Initiatives for the Future**

The Town of Surfside Beach continues to plan for and provide both essential and recreational facilities for its citizens and friends. Originally scheduled for completion in May of 2011, the North Poplar Park and the Surfside Drive business district improvement projects will not end until late 2011. The park that is located on the corner of Poplar Drive and Surfside Drive will be passive in nature and will showcase a sculpture designed and created by a local artist. The park will also serve to provide extra parking for the business district and host the Town's first electric vehicle, plug-in station. The Surfside Drive Streetscape project will concentrate on the west end of Surfside Drive from Poplar to the intersection at Highway 17. The project includes a new center median on Surfside Drive, expanded sidewalks and much needed paving and beautification of the area. The Town also plans to work with the SC DOT on a Highway 17 Beautification project. The scope of the project

includes replacement of trees in the median of Highway 17. All of these projects will greatly enhance the quality of life for citizens and visitors, alike.

The Town continues to use road fees, collected from vehicle taxes and other Horry County Transportation Committee funds dispersed from state gas tax, for paving roads, sidewalks, and other street-related improvements. Projects for the coming year include the reengineering and replacement of the 10<sup>th</sup> Avenue culvert and the continuation of the Town's paving and sidewalk expansion schedule throughout the town. The Town is also anticipating the project planned for the intersection of Highway 17, Glens Bay Road and Surfside Drive to begin next year. This project is a partnership with SC DOT and Horry County.

The Town will continue to use the 5 mil tax levy which is designated for stormwater. Water quality and stormwater education continue to be a focus of our Clean Water Act/NPDES compliance. The Town will begin its seventh (7th) year of participation in both the Coastal Waccamaw Stormwater Education Consortium and with Coastal Carolina University's volunteer monitoring program for water quality testing. We plan to purchase the Town's first street sweeper as part of the Town's pollution prevention activities. Next year we will again address the Town's stormwater basin issues and begin the north-end stormwater basin analysis in addition to the planned Dogwood Lake Bank Stabilization project.

The Town continues to rely on its staff, citizens, committees, commissions and volunteers to help improve, maintain, and promote the Town.

### **Awards and Acknowledgments**

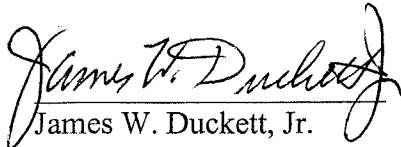
The Comprehensive Annual Financial Report has been prepared following the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. The GFOA awards a Certificate of Achievement for Excellence in Financial Reporting to those governments whose annual financial reports are judged to conform substantially to the high standards of public financial reporting, including generally accepted accounting principles promulgated by the Governmental Accounting Standards Board.

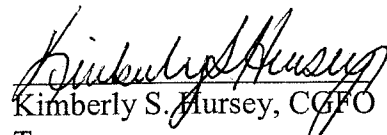
The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Surfside Beach for its comprehensive annual financial report for the fiscal year ended June 30, 2010, which was the twenty second (22) consecutive year the Town received the award. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the Town's auditing firm; Harper, Poston, & Moree, P.A., the Town's Finance Department, as well as the Town's department directors and staff. Each department member

has our sincere appreciation for contributions made in the preparation of this report. We also extend a thank you to all Surfside Beach Town Councilmembers for their support.

Respectfully Submitted,

  
James W. Duckett, Jr.  
Town Administrator

  
Kimberly S. Hursey, CGFO  
Treasurer



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Surfside Beach  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fifteen Months Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

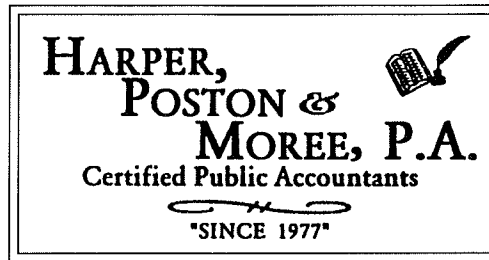
President

*Jeffrey R. Emer*

Executive Director

## **FINANCIAL SECTION**





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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of Town Council  
Town of Surfside Beach, 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 Surfside Beach, South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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 Surfside Beach, South Carolina, as of June 30, 2011, and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in the current fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 46-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section, individual fund financial statement, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statement and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Harper, Poston & Moree, P.A.*

Harper, Poston & Moree, P.A.  
Certified Public Accountants

Pawleys Island, South Carolina  
November 11, 2011

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2011**

Our discussion and analysis of the Town of Surfside Beach, South Carolina's (the Town) financial performance provides an overview of the Town's financial activities for the year ended June 30, 2011. Please read it in conjunction with the transmittal letter on page v and the Town's financial statements, which begin on page 12.

**Financial Highlights**

- The Town's fiscal reporting period is July 1 to June 30. The amounts provided in this MD&A for the prior year ended June 30, 2010 reflect a fifteen month period.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal period by \$19,012,507 (net assets). Of this amount, \$3,185,706 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$1,056,954. This is a result of an increase in net assets of our business-type activities of \$206,233, and an increase in net assets of our governmental activities of \$850,721.
- The Town's total revenues amounted to \$8,213,782 during the year ended June 30, 2011. Revenues and transfers of governmental activities totaled \$6,871,228, and revenues and transfers of our business-type activities were \$1,342,554.
- During the year ended June 30, 2011, the Town's total expenses amounted to \$7,156,828. Expenses of governmental activities totaled \$6,020,507, and expenses of our business-type activities were \$1,136,321.
- At June 30, 2011, the Town's governmental funds reported combined fund balances of \$4,803,527, a decrease of \$111,716 in comparison to the prior year.
- There was an increase in the Town's investment in capital assets for the current fiscal year of \$978,104 for governmental activities and a decrease of \$44,363 for our business-type activities.
- At June 30, 2011, the Town had \$815,000 in outstanding general obligation bonds compared to \$1,190,000 last year, a decrease of 31.51%.

**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (on pages 12 - 14) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The fiduciary fund financial statement on page 27 provides financial information about an activity for which the Town acts as an agent on behalf of the Town's firemen. The notes to the financial statements are an integral part of the financial statements and begin on page 28. This report also contains other information in addition to the basic financial statements.

## ***Reporting the Town as a Whole***

Our analysis of the Town as a whole begins on page 5. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. In accrual based accounting, all of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets, which is the difference between assets and liabilities, as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

In the statement of net assets and the statement of activities, we have divided the Town into two kinds of activities:

- *Governmental Activities* - Most of the Town's basic services are reported here, including general government, public safety, building and zoning, grounds, street, culture and recreation, and interest and fiscal charges. Property taxes, local accommodations taxes, business license taxes, franchise taxes, and hospitality fees and grants, finance the majority of these activities.
- *Business-Type Activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sanitation activities and fishing pier and properties are reported here.

## ***Reporting the Town's Funds***

Our analysis of the Town's funds begins on page 8. The fund financial statements begin on page 15 and provide detailed information about the funds, not the Town as a whole. The Town Council establishes funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Town's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental Funds* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the "modified accrual basis of accounting", which measures cash and all other financial assets that can readily be converted to cash. This is also known as the financial resource measurement focus. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation following each governmental fund financial statement.
- *Proprietary Funds* - When the Town charges customers for the services it provides, these activities are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of

activities. These funds are reported using an accounting method called the accrual basis of accounting; this is also known as the economic resource measurement focus. Proprietary funds report all assets, liabilities and net assets for a long-term financial view. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for each proprietary fund.

### ***The Town as an Agent***

The Town is an agent, or fiduciary, for certain funds held on behalf of the Town's firemen. The fiduciary fund financial statement can be found on page 27 of this report. Fiduciary or agency funds account for assets held by the Town for another entity. Agency funds are custodial in nature; assets equal liabilities, and do not measure the results of operation. We exclude this activity from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information beginning on page 46. An individual fund statement and other supplementary information can be found on pages 51 - 55.

### **The Town as a Whole**

Condensed statements of net assets at June 30, 2011 and June 30, 2010 are shown below.

#### **THE TOWN'S NET ASSETS**

|                             | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     | <u>Total</u>        |                     |
|-----------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
|                             | <u>2011</u>                    | <u>2010</u>         | <u>2011</u>                     | <u>2010</u>         | <u>2011</u>         | <u>2010</u>         |
| Current and Other Assets    | \$ 5,574,092                   | \$ 5,589,569        | \$ (545,183)                    | \$ (748,311)        | \$ 5,028,909        | \$ 4,841,258        |
| Capital Assets (Net)        | <u>13,451,122</u>              | <u>12,113,217</u>   | <u>3,034,135</u>                | <u>3,078,498</u>    | <u>16,485,257</u>   | <u>15,191,715</u>   |
| Total Assets                | <u>\$19,025,214</u>            | <u>\$17,702,786</u> | <u>\$ 2,488,952</u>             | <u>\$ 2,330,187</u> | <u>\$21,514,166</u> | <u>\$20,032,973</u> |
| Long-Term Liabilities       | \$ 1,280,484                   | \$ 935,680          | \$ 12,937                       | \$ 23,321           | \$ 1,293,421        | \$ 959,001          |
| Other Liabilities           | <u>1,161,599</u>               | <u>1,034,696</u>    | <u>46,639</u>                   | <u>83,723</u>       | <u>1,208,238</u>    | <u>1,118,419</u>    |
| Total Liabilities           | <u>\$ 2,442,083</u>            | <u>\$1,970,376</u>  | <u>\$ 59,576</u>                | <u>\$ 107,044</u>   | <u>\$ 2,501,659</u> | <u>\$ 2,077,420</u> |
| Net Assets:                 |                                |                     |                                 |                     |                     |                     |
| Invested in Capital Assets, |                                |                     |                                 |                     |                     |                     |
| Net of Related Debt         | \$11,910,207                   | \$10,932,103        | \$ 3,034,135                    | \$ 3,078,498        | \$14,944,342        | \$14,010,601        |
| Restricted                  | 882,459                        | 406,066             |                                 |                     | 882,459             | 406,066             |
| Unrestricted                | <u>3,790,465</u>               | <u>4,394,241</u>    | <u>(604,759)</u>                | <u>(855,355)</u>    | <u>3,185,706</u>    | <u>3,538,886</u>    |
| Total Net Assets            | <u>\$16,583,131</u>            | <u>\$15,732,410</u> | <u>\$ 2,429,376</u>             | <u>\$ 2,223,143</u> | <u>\$19,012,507</u> | <u>\$17,955,553</u> |



As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined net assets at June 30, 2011 were \$19,012,507, an increase of \$1,056,954 or 5.9%, from our last fiscal year end or twelve months ago. This is mainly attributable to the completion of our Fire Station and the purchase of a new aerial fire truck as well as construction in progress for the period, which at year end was an additional \$692,842 for governmental activities.

A portion of the Town's net assets, currently 78.6%, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. 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 must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, currently \$882,459 or 4.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net assets, in the amount of \$3,185,706, is currently 16.8% of total net assets. Unrestricted Net Assets may be used to meet the Town's ongoing obligations to citizens and creditors.

Consistent with the prior fiscal period, as of the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets, for governmental activities.

Changes in the Town's net assets during the twelve month period ended June 30, 2011 and fifteen month period ended June 30, 2010 are shown below.

#### THE TOWN'S CHANGES IN NET ASSETS

|  | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     | <u>Total</u>        |                     |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
|  | <u>2011</u>                    | <u>2010</u>         | <u>2011</u>                     | <u>2010</u>         | <u>2011</u>         | <u>2010</u>         |
| Revenues:  |                                |                     |                                 |                     |                     |                     |
| Program Revenues:  |                                |                     |                                 |                     |                     |                     |
| Charges for Services   | \$ 563,549                     | \$ 741,783          | \$ 1,427,050                    | \$ 1,857,622        | \$ 1,990,599        | \$ 2,599,405        |
| Operating Grants and Contributions                           | 159,946                        | 207,765             |                                 |                     | 159,946             | 207,765             |
| Capital Grants and Contributions                             | 243,738                        | 303,818             |                                 |                     | 243,738             | 303,818             |
| General Revenues:  |                                |                     |                                 |                     |                     |                     |
| Property Taxes   | 2,392,569                      | 2,437,909           |                                 |                     | 2,392,569           | 2,437,909           |
| Local Accommodations Taxes                                   | 138,892                        | 159,761             |                                 |                     | 138,892             | 159,761             |
| Business License Taxes                                       | 1,384,337                      | 2,628,551           |                                 |                     | 1,384,337           | 2,628,551           |
| Franchise Taxes  | 577,845                        | 745,808             |                                 |                     | 577,845             | 745,808             |
| Hospitality Fees   | 654,897                        | 804,000             |                                 |                     | 654,897             | 804,000             |
| Grants and Contributions not Restricted to Specific Programs | 618,106                        | 811,567             |                                 |                     | 618,106             | 811,567             |
| Investment Earnings  | 38,327                         | 53,572              | 2,845                           | 202                 | 41,172              | 53,774              |
| Other General Revenues                                       | <u>2,654</u>                   | <u>9,397</u>        | <u>9,027</u>                    |                     | <u>11,681</u>       | <u>9,397</u>        |
| Total Revenues   | <u>\$ 6,774,860</u>            | <u>\$ 8,903,931</u> | <u>\$ 1,438,922</u>             | <u>\$ 1,857,824</u> | <u>\$ 8,213,782</u> | <u>\$10,761,755</u> |
| Expenses:  |                                |                     |                                 |                     |                     |                     |
| General Government   | \$ 1,481,098                   | \$ 1,936,037        | \$                              | \$                  | \$ 1,481,098        | \$ 1,936,037        |
| Public Safety  | 2,682,300                      | 3,189,927           |                                 |                     | 2,682,300           | 3,189,927           |
| Building and Zoning  | 216,665                        | 322,102             |                                 |                     | 216,665             | 322,102             |
| Grounds  | 278,869                        | 485,100             |                                 |                     | 278,869             | 485,100             |

**THE TOWN'S CHANGES IN NET ASSETS (continued)**

|  | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     | <u>Total</u>        |                     |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
|  | <u>2011</u>                    | <u>2010</u>         | <u>2011</u>                     | <u>2010</u>         | <u>2011</u>         | <u>2010</u>         |
| Street                                     | 904,504                        | 1,072,451           |                                 |                     | 904,504             | 1,072,451           |
| Culture and Recreation                     | 399,827                        | 476,660             |                                 |                     | 399,827             | 476,660             |
| Interest and Fiscal Charges                | 57,244                         | 69,814              |                                 |                     | 57,244              | 69,814              |
| Sanitation                                 |                                |                     | 993,535                         | 1,228,154           | 993,535             | 1,228,154           |
| Pier                                       |                                |                     | 142,786                         | 183,658             | 142,786             | 183,658             |
| Total Expenses                             | <u>\$ 6,020,507</u>            | <u>\$ 7,552,091</u> | <u>\$ 1,136,321</u>             | <u>\$ 1,411,812</u> | <u>\$ 7,156,828</u> | <u>\$ 8,963,903</u> |
| Increase in Net Assets<br>Before Transfers | \$ 754,353                     | \$ 1,351,840        | \$ 302,601                      | \$ 446,012          | \$ 1,056,954        | \$ 1,797,852        |
| Transfers                                  | <u>96,368</u>                  | <u>62,500</u>       | <u>(96,368)</u>                 | <u>(62,500)</u>     |                     |                     |
| Increase in Net Assets                     | <u>850,721</u>                 | <u>1,414,340</u>    | <u>206,233</u>                  | <u>383,512</u>      | <u>1,056,954</u>    | <u>1,797,852</u>    |
| Net Assets – Beginning                     | <u>\$15,732,410</u>            | <u>\$14,291,825</u> | <u>\$ 2,223,143</u>             | <u>\$ 1,839,631</u> | <u>\$17,955,553</u> | <u>\$16,131,456</u> |
| Adjustment to Beginning<br>Net Assets      |                                | <u>26,245</u>       |                                 |                     |                     | <u>26,245</u>       |
| Net Assets - Ending                        | <u>\$16,583,131</u>            | <u>\$15,732,410</u> | <u>\$ 2,429,376</u>             | <u>\$ 2,223,143</u> | <u>\$19,012,507</u> | <u>\$17,955,553</u> |

The Town's total revenues amounted to \$8,213,782 for the twelve months ended June 30, 2011. This is a decrease of \$2,547,973 or 23.7%. The total cost of all programs and services was \$7,156,828 which decreased by \$1,807,075, or 20.1%. These percentages were anticipated due to the transition from the prior fifteen month fiscal period for 2010.

***Governmental Activities***

The Town's net assets from governmental activities increased \$850,721, accounting for 80.5% of the total growth in net assets of the Town. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from \$4,394,241 at June 30, 2010 to \$3,790,465 at the end of this year. The decrease is mainly attributable to the change in classification of street improvement funds to restricted funds.

The Town's programs for governmental activities include general government, public safety, building and zoning, grounds, street, culture and recreation, and interest and fiscal charges. Total revenues from the Town's governmental activities decreased by 23.9% or \$2,129,071, and total expenditures decreased 20.3% or \$1,531,584. The decreased revenues were mainly attributable to business license taxes, which decreased \$1,244,214; this was due to a second cycle of business license renewals for the fifteen month prior period. Business license renewal applications are processed annually and are due June 1<sup>st</sup> of each year. For the period ended June 30, 2010 the Town captured two renewal periods. The decreases in other governmental revenues were directly attributable to the current twelve month fiscal period in relation to the prior fifteen month period. Overall the decreases in expenditures of the Town's governmental activities were attributable to the transition from a fifteen month period in 2010 to a twelve month period for 2011.

The cost of all governmental activities this year was \$6,020,507. However, as shown in the statement of activities beginning on page 13, the amount that our taxpayers ultimately financed for these activities was only \$5,053,274 because some of the cost was paid by those who directly benefited from the programs (\$563,549) or by other governments and organizations that subsidized certain programs with grants and contributions

(\$403,684). Overall, the Town's governmental program revenues were \$967,233. The Town paid for the remaining "public benefit" portion of governmental activities with general revenues and transfers from the business-type activities, some of which could only be used for certain programs, totaling \$5,903,995.

### ***Business-Type Activities***

The Town's business-type activities relate to the provision of sanitation collection services to the residents and businesses of the Town and the Surfside Beach fishing pier and properties which the Town purchased in 2008. The Town's net assets from our business-type activities increased \$206,233, which accounts for 19.5% of the total increase in the Town's net assets. The change in net assets of our business-type activities was in line with budgeted expectations for the year.

Total revenue from the Town's business-type activities decreased by 22.5%, or \$418,902 for the year ended June 30, 2011; this was anticipated as we transitioned from the period ending June 30, 2010, a fifteen month period, to the twelve month fiscal year ending June 30, 2011.

The cost of our business-type activities this year was \$1,136,321. As shown in the statement of activities which starts on page 13, the amounts paid by users was \$1,427,050, investment earnings were \$2,845, other general revenues were \$9,027, and transfers totaled (\$96,368).

### **The Town's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the fiscal year ended June 30, 2011 the Town of Surfside Beach implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications. The classifications describe the relative strength of the spending constraints placed on the purposes for which the Town's resources can be used.

### ***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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined fund balances of \$4,803,527 a decrease of (\$111,716) in comparison with the prior period. Approximately 34.8% of this total (\$1,672,042) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The General Fund is the only fund that can report unassigned fund balance. The remainders of the Town's fund balances are classified as Nonspendable, Restricted, Committed, or Assigned.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,672,042, while the total general fund balance amounted to \$3,929,995. The General Fund's fund balance decreased by (\$633,333) during the current year. The decrease is attributable to capital replacement and street improvement projects funded during the year.

In the Accommodations Tax Fund, fund balance increased by \$67,832 to \$83,553 at fiscal year end. The increase in fund balance is attributable to greater than anticipated State Accommodations Taxes received during the period of \$39,355 and lower than anticipated expenditures of \$34,322. Approximately 21% of total fund balance is classified nonspendable for prepaid items (\$17,716). The remaining fund balance is restricted.

Total fund balance of the Hospitality Fund was \$500,146 at June 30, 2011, an increase of \$310,192 from the prior year. Of this total \$281,164 is restricted for tourism promotion and support, the remaining fund balance of \$218,982 is assigned for parking, land acquisition and other capital improvements. The increase is attributable to greater than anticipated hospitality tax collections of \$79,897 and the delay of planned beautification projects.

The Local Accommodations Tax Fund, fund balance decreased by (\$7,547) to \$58 at June 30, 2011. The Town has elected to transfer all local accommodations taxes collected to the General Fund to support public safety.

The Capital Projects Fund has a fund balance of \$258,776 at year end, an increase of \$120,141 from the prior year. The increase is attributable to the delay of a storm water project planned for this year. Town Council has committed the entire fund balance for storm water management, maintenance and improvement projects, as well as Clean Water Act compliance.

### ***Proprietary Funds***

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Town's Sanitation Fund at year end amounted to \$661,952. The increase in net assets of the Sanitation Fund was \$88,722; this is directly attributable to operating income before transfers of \$158,920. Unrestricted net assets of the Town's Pier Fund at year end amounted to (\$1,183,308). Although total net assets of this fund were \$1,266,567, the Pier fund has an advance due to the General Fund of \$1,304,000, which was used to finance the purchase of the pier and pier properties. The increase in net assets of the Pier Fund was \$154,453.

### ***General Fund Budgetary Highlights***

The original budget was amended during the fiscal year. Revenues available for appropriation were (\$137,021) below budgeted amounts. This is directly attributable to lower than anticipated intergovernmental revenues. Intergovernmental revenues were (\$166,296) less than appropriated due to the delay in several planned projects that included intergovernmental reimbursements. The actual charges to appropriations (expenditures) were (\$508,775) over the budgeted amounts. This excess is the result of the purchase of a fire truck with lease proceeds of \$731,469 which, for accounting purposes, must be included in capital outlay but was not budgeted by the Town.

During the fiscal year, there was an increase in appropriations of \$110,577 between the original and final budget. This increase is directly attributable to additional capital outlay purchases of \$141,527 for grants received during the year.

Budget to actual comparisons for the General Fund can be found on page 46.

## **Capital Asset and Debt Administration**

### ***Capital Assets***

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$16,485,257 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, machinery, equipment, vehicles and infrastructure, and construction in progress. The total increase in the Town's investment in capital assets for the current fiscal year was \$1,337,905 or 11%, for governmental activities and a decrease of (\$44,363) or (1%), for our business-type activities.

A schedule of the Town's capital assets (net of accumulated depreciation) for the fiscal years ended June 30, 2011 and June 30, 2010 follows:

**THE TOWN'S CAPITAL ASSETS  
(Net of Accumulated Depreciation)**

|                                   | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                     | <u>Total</u>         |                      |
|-----------------------------------|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
|                                   | <u>2011</u>                    | <u>2010</u>          | <u>2011</u>                     | <u>2010</u>         | <u>2011</u>          | <u>2010</u>          |
| Land                              | \$ 2,281,527                   | \$ 2,281,527         | \$ 1,508,771                    | \$ 1,508,771        | \$ 3,790,298         | \$ 3,790,298         |
| Land Improvements                 | 611,650                        | 592,361              |                                 |                     | 611,650              | 592,361              |
| Buildings and Improvements        | 3,184,461                      | 869,053              | 921,348                         | 939,986             | 4,105,809            | 1,809,039            |
| Machinery, Equipment and Vehicles | 2,171,128                      | 1,189,511            | 580,713                         | 597,362             | 2,751,841            | 1,786,873            |
| Infrastructure                    | 4,509,514                      | 4,657,644            |                                 |                     | 4,509,514            | 4,657,644            |
| Construction-in-Progress          | <u>692,842</u>                 | <u>2,523,121</u>     | <u>23,303</u>                   | <u>32,379</u>       | <u>716,145</u>       | <u>2,555,500</u>     |
|                                   | <u>\$ 13,451,122</u>           | <u>\$ 12,113,217</u> | <u>\$ 3,034,135</u>             | <u>\$ 3,078,498</u> | <u>\$ 16,485,257</u> | <u>\$ 15,191,715</u> |

More detailed information about the Town's capital assets is presented in Note 8 to the financial statements.

Major capital asset additions during the current year ended June 30, 2011, included the following:

|   |           |
|---|-----------|
| Construction in Progress – Surfside Streetscape, North Poplar Park, Paving, Sidewalks | \$692,842 |
| Fire Station  | 2,480,749 |
| 2010 HME Ariel Fire Truck – Platform Ladder   | 738,532   |
| 2009 HME Ahrens Fire Truck - Pumper   | 363,917   |
| 2010 Ford F-750 Knuckleboom Loader Brush Hawg   | 115,079   |
| Dogwood and Floral Lake Outfall Enhancements  | 57,772    |
| In-Car Camera System – Police Vehicles  | 52,796    |
| Cascade Air Compressor  | 34,393    |
| Pier Decking and Bolt Replacement Projects  | 33,460    |
| 2010 Ford F-250 Cargo Van – Prisoner Transport Van                                    | 32,314    |

**Debt**

At period end, the Town had \$815,000 in outstanding general obligation bonds compared to \$1,190,000 last year, a decrease of 31.5%. The current bond issuance will mature on March 1, 2013.

**THE TOWN'S OUTSTANDING DEBT  
Bonds Payable**

|                          | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |             | <u>Total</u>      |                     |
|--------------------------|--------------------------------|---------------------|---------------------------------|-------------|-------------------|---------------------|
|                          | <u>2011</u>                    | <u>2010</u>         | <u>2011</u>                     | <u>2010</u> | <u>2011</u>       | <u>2010</u>         |
| General Obligation Bonds | \$ <u>815,000</u>              | \$ <u>1,190,000</u> | \$ _____                        | \$ _____    | \$ <u>815,000</u> | \$ <u>1,190,000</u> |
| Total Long-Term Debt     | \$ <u>815,000</u>              | \$ <u>1,190,000</u> | \$ _____                        | \$ _____    | \$ <u>815,000</u> | \$ <u>1,190,000</u> |

The Town maintains a credit rating of Aaa for general obligation bonded debt. Under current state statutes, the Town's general obligation debt issuances are subject to a legal limitation base of 8% of total assessed value. General obligation debt issued pursuant to referendum is not subject to the limitations. As of June 30, 2011, the amount of new debt, which could be issued without referendum, was \$4,189,195.

Other long-term obligations of the Town include a capital lease for financing the acquisition of a fire truck, \$731,469, and compensated absences of \$341,861. More detailed information about the Town's long-term liabilities is presented in Note 10 to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The Town's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, 2011 tax rates and fees that will be charged for our business-type activities.

Some of the factors that were considered this year were the economy, tourism trends, and cost of fuel and inflation rates. These indicators were taken into account when adopting the General Fund budget for fiscal year 2012. Revenues and transfers available for appropriation in the General Fund budget are \$5,332,140, a decrease of \$286,622 or 5% over the final fiscal year 2011 budget of \$5,618,762. The Town remains conservative in its revenue estimates due to the economy and its reliance on tourism. The decrease in revenue appropriations is due to fewer expected intergovernmental revenues and other financing sources. Budgeted expenditures are expected to decrease to \$5,771,052 from \$6,319,531 in fiscal year 2012; the decrease of \$542,513 or 9% which is mainly attributable to capital equipment purchases. The Town has added no major new programs or initiatives to the fiscal year 2012 general fund budget.

As for the Town's business-type activities, the base rates for sanitation collection service for our residential and commercial customers in town and for our fishing pier for fiscal year 2012 will remain unchanged. Revenues available for appropriation in the Sanitation and Pier Fund budgets are \$1,136,200, and \$280,000 respectively. The Town will use these revenues to finance the sanitation services programs we currently offer and to finance the repairs and maintenance of the fishing pier to the effect that we expect inflation to have on such costs. Budgeted operating expenses of the Sanitation and Pier Funds are \$1,135,679 and \$129,396 respectively in fiscal year 2012.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, visit the Town's website [www.surfsidebeach.org](http://www.surfsidebeach.org), contact the Town's Finance Department at 115 Highway 17 North, Surfside Beach, South Carolina 29575, phone (843) 913-6336 or email [finance@surfsidebeach.org](mailto:finance@surfsidebeach.org).



## **BASIC FINANCIAL STATEMENTS**





**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>         |
|---|------------------------------------|-------------------------------------|----------------------|
| <b>ASSETS</b>                                     |                                    |                                     |                      |
| Cash and Cash Equivalents                         | \$ 3,370,727                       | \$ 613,386                          | \$ 3,984,113         |
| Receivables (Net of Allowance)                    | 650,759                            | 228,834                             | 879,593              |
| Internal Balances                                 | 1,387,403                          | (1,387,403)                         |                      |
| Inventories                                       | 2,819                              |                                     | 2,819                |
| Prepaid Assets                                    | 115,161                            |                                     | 115,161              |
| Restricted Cash and Cash Equivalents              | 33,378                             |                                     | 33,378               |
| Land  | 2,281,527                          | 1,508,771                           | 3,790,298            |
| Construction in Progress                          | 692,842                            | 23,303                              | 716,145              |
| Other Capital Assets (Net)                        | 10,476,753                         | 1,502,061                           | 11,978,814           |
| Deferred Bond Issuance Costs (Net)                | 13,845                             |                                     | 13,845               |
| <b>Total Assets</b>                               | <u>\$ 19,025,214</u>               | <u>\$ 2,488,952</u>                 | <u>\$ 21,514,166</u> |
| <b>LIABILITIES</b>                                |                                    |                                     |                      |
| Accounts Payable and Accrued Expenses             | \$ 287,801                         | \$ 29,756                           | \$ 317,557           |
| Accrued Salaries                                  | 246,971                            |                                     | 246,971              |
| Accrued Interest Payable                          | 20,977                             |                                     | 20,977               |
| Liabilities Payable From Restricted Assets        | 33,378                             |                                     | 33,378               |
| Noncurrent Liabilities:                           |                                    |                                     |                      |
| Due Within One Year                               | 572,472                            | 16,883                              | 589,355              |
| Due in More Than One Year                         | 1,280,484                          | 12,937                              | 1,293,421            |
| <b>Total Liabilities</b>                          | <u>\$ 2,442,083</u>                | <u>\$ 59,576</u>                    | <u>\$ 2,501,659</u>  |
| <b>NET ASSETS</b>                                 |                                    |                                     |                      |
| Invested In Capital Assets, Net of Related Debt   | \$ 11,910,207                      | \$ 3,034,135                        | \$ 14,944,342        |
| Restricted For Tourism Promotion and Support      | 397,701                            |                                     | 397,701              |
| Restricted For Public Safety and Drug Enforcement | 33,325                             |                                     | 33,325               |
| Restricted For Street Improvements                | 451,433                            |                                     | 451,433              |
| Unrestricted                                      | 3,790,465                          | (604,759)                           | 3,185,706            |
| <b>Total Net Assets</b>                           | <u>\$ 16,583,131</u>               | <u>\$ 2,429,376</u>                 | <u>\$ 19,012,507</u> |

The accompanying notes are an integral part of the financial statements.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

| <u>Functions/Programs</u>        | Program Revenues                |   |   |            |
|----------------------------------|---------------------------------|---|---|------------|
| <u>Expenses</u>                  | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> |            |
| <b>Governmental Activities:</b>  |                                 |   |   |            |
| General Government               | \$ 1,481,098                    | \$ 131,404  | \$  | \$ 39,696  |
| Public Safety                    | 2,682,300                       | 249,878   | 11,471  | 79,131     |
| Building and Zoning              | 216,665                         | 113,222   |   |            |
| Grounds                          | 278,869                         |   | 9,000   |            |
| Street                           | 904,504                         |   | 112,412   | 119,203    |
| Culture and Recreation           | 399,827                         | 69,045  | 27,063  | 5,708      |
| Interest and Fiscal Charges      | 57,244                          |   |   |            |
| Total Governmental Activities    | \$ 6,020,507                    | \$ 563,549  | \$ 159,946                                      | \$ 243,738 |
| <b>Business-Type Activities:</b> |                                 |   |   |            |
| Sanitation                       | \$ 993,535                      | \$ 1,103,958                                      | \$  | \$         |
| Pier                             | 142,786                         | 323,092   |   |            |
| Total Business-Type Activities   | \$ 1,136,321                    | \$ 1,427,050                                      | \$  | \$         |
| Total                            | \$ 7,156,828                    | \$ 1,990,599                                      | \$ 159,946                                      | \$ 243,738 |

General Revenues:

Property Taxes

Local Accommodations Taxes

Business Licenses Taxes

Franchise Taxes

Hospitality Fees

Grants and Contributions not Restricted to Specific Programs

Investment Earnings

Other General Revenues

Transfers

Total General Revenues and Transfers

**Change in Net Assets**

**Net Assets - Beginning**

**Net Assets - Ending**

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

| Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|----------------------------|-----------------------------|-----------------------|
| \$ (1,309,998)             | \$                          | \$ (1,309,998)        |
| (2,341,820)                |                             | (2,341,820)           |
| (103,443)                  |                             | (103,443)             |
| (269,869)                  |                             | (269,869)             |
| (672,889)                  |                             | (672,889)             |
| (298,011)                  |                             | (298,011)             |
| (57,244)                   |                             | (57,244)              |
| <u>\$ (5,053,274)</u>      | <u>\$</u>                   | <u>\$ (5,053,274)</u> |
| <br>                       |                             |                       |
| \$                         | \$ 110,423                  | \$ 110,423            |
|                            | 180,306                     | 180,306               |
| <u>\$</u>                  | <u>\$ 290,729</u>           | <u>\$ 290,729</u>     |
| <br>                       |                             |                       |
| <u>\$ (5,053,274)</u>      | <u>\$ 290,729</u>           | <u>\$ (4,762,545)</u> |
| <br>                       |                             |                       |
| \$ 2,392,569               | \$                          | \$ 2,392,569          |
| 138,892                    |                             | 138,892               |
| 1,384,337                  |                             | 1,384,337             |
| 577,845                    |                             | 577,845               |
| 654,897                    |                             | 654,897               |
| 618,106                    |                             | 618,106               |
| 38,327                     | 2,845                       | 41,172                |
| 2,654                      | 9,027                       | 11,681                |
| 96,368                     | (96,368)                    |                       |
| <u>\$ 5,903,995</u>        | <u>\$ (84,496)</u>          | <u>\$ 5,819,499</u>   |
| <br>                       |                             |                       |
| \$ 850,721                 | \$ 206,233                  | \$ 1,056,954          |
| <br>                       |                             |                       |
| <u>15,732,410</u>          | <u>2,223,143</u>            | <u>17,955,553</u>     |
| <br>                       |                             |                       |
| <u>\$ 16,583,131</u>       | <u>\$ 2,429,376</u>         | <u>\$ 19,012,507</u>  |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

|                                      | General<br>Fund | Accommodations<br>Tax Fund | Hospitality<br>Fund |
|--------------------------------------|-----------------|----------------------------|---------------------|
| <b>ASSETS</b>                        |                 |                            |                     |
| Cash and Cash Equivalents            | \$ 2,651,240    | \$ 9,470                   | \$ 410,517          |
| Receivables (Net):                   |                 |                            |                     |
| Property Taxes                       | 117,264         |                            |                     |
| Hospitality Fees                     |                 |                            | 103,302             |
| Local Accommodations Taxes           |                 |                            |                     |
| Business Licenses                    | 40,824          |                            |                     |
| Intergovernmental                    | 259,529         | 100,320                    |                     |
| Other                                | 300             |                            |                     |
| Due From Other Funds                 | 32,926          |                            |                     |
| Inventories                          | 2,819           |                            |                     |
| Prepaid Assets                       | 97,445          | 17,716                     |                     |
| Advances To Other Funds              | 1,304,000       |                            |                     |
| Restricted Cash and Cash Equivalents | 20,963          |                            |                     |
| Total Assets                         | \$ 4,527,310    | \$ 127,506                 | \$ 513,819          |

The accompanying notes are an integral part of the financial statements.

| <u>Local<br/>Accommodations<br/>Tax Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Other<br/>Governmental<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--------------------------------------|--|---|
| \$ 12  | \$ 274,188                           | \$ 25,300                              | \$ 3,370,727                            |
|  |                                      |  | 117,264                                 |
|  |                                      |  | 103,302                                 |
| 23,521                                       |                                      |  | 23,521                                  |
|  |                                      |  | 40,824                                  |
|  |                                      | 5,699                                  | 365,548                                 |
|  |                                      |  | 300                                     |
|  |                                      |  | 32,926                                  |
|  |                                      |  | 2,819                                   |
|  |                                      |  | 115,161                                 |
|  |                                      |  | 1,304,000                               |
|  |                                      | 12,415                                 | 33,378                                  |
| <u>\$ 23,533</u>                             | <u>\$ 274,188</u>                    | <u>\$ 43,414</u>                       | <u>\$ 5,509,770</u>                     |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

| <b>LIABILITIES AND FUND BALANCES</b>       | General<br>Fund     | Accommodations<br>Tax Fund | Hospitality<br>Fund |
|--|---------------------|----------------------------|---------------------|
| <b>Liabilities:</b>                        |                     |                            |                     |
| Accounts Payable and Accrued Expenditures  | \$ 224,214          | \$ 34,502                  | \$ 13,673           |
| Accrued Salaries                           | 246,971             |                            |                     |
| Due To Other Funds                         |                     | 9,451                      |                     |
| Payable From Restricted Assets:            |                     |                            |                     |
| Bail Bonds                                 | 20,363              |                            |                     |
| Drug Funds                                 |                     |                            |                     |
| Other Deposits Held                        | 600                 |                            |                     |
| Deferred Revenue                           | 105,167             |                            |                     |
| <b>Total Liabilities</b>                   | <b>\$ 597,315</b>   | <b>\$ 43,953</b>           | <b>\$ 13,673</b>    |
| <br><b>Fund Balances:</b>                  |                     |                            |                     |
| <b>Nonspendable:</b>                       |                     |                            |                     |
| Inventories                                | \$ 2,819            | \$                         | \$                  |
| Prepaid Items                              | 97,445              | 17,716                     |                     |
| Advances                                   | 1,304,000           |                            |                     |
| <b>Restricted for:</b>                     |                     |                            |                     |
| Victim's Advocate Program                  | 2,326               |                            |                     |
| Street Improvements                        | 451,433             |                            |                     |
| Tourism Promotion and Support              |                     | 65,837                     | 281,164             |
| Drug Enforcement Program                   |                     |                            |                     |
| <b>Committed to:</b>                       |                     |                            |                     |
| Capital Replacements                       | 399,930             |                            |                     |
| Storm Water Projects                       |                     |                            |                     |
| <b>Assigned to:</b>                        |                     |                            |                     |
| Land, Meters, and Parking Purposes         |                     |                            | 218,982             |
| <b>Unassigned</b>                          |                     |                            |                     |
| <b>Total Fund Balances</b>                 | <b>\$ 1,672,042</b> | <b>\$ 83,553</b>           | <b>\$ 500,146</b>   |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 4,527,310</b> | <b>\$ 127,506</b>          | <b>\$ 513,819</b>   |

The accompanying notes are an integral part of the financial statements.

| <u>Local<br/>Accommodations<br/>Tax Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Other<br/>Governmental<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--------------------------------------|--|---|
| \$   | \$ 15,412                            | \$                                     | \$ 287,801                              |
|  |                                      |  | 246,971                                 |
| 23,475                                       |                                      |  | 32,926                                  |
|  |                                      |  | 20,363                                  |
|  |                                      | 12,415                                 | 12,415                                  |
|  |                                      |  | 600                                     |
|  |                                      |  | 105,167                                 |
| \$ <u>23,475</u>                             | \$ <u>15,412</u>                     | \$ <u>12,415</u>                       | \$ <u>706,243</u>                       |
| \$   | \$                                   | \$                                     | \$ 2,819                                |
|  |                                      |  | 115,161                                 |
|  |                                      |  | 1,304,000                               |
|  |                                      |  | 2,326                                   |
|  |                                      |  | 451,433                                 |
| 58   |                                      |  | 347,059                                 |
|  |                                      | 30,999                                 | 30,999                                  |
|  |                                      |  | 399,930                                 |
|  | 258,776                              |  | 258,776                                 |
|  |                                      |  | 218,982                                 |
|  |                                      |  | 1,672,042                               |
| \$ <u>58</u>                                 | \$ <u>258,776</u>                    | \$ <u>30,999</u>                       | \$ <u>4,803,527</u>                     |
| \$ <u>23,533</u>                             | \$ <u>274,188</u>                    | \$ <u>43,414</u>                       | \$ <u>5,509,770</u>                     |



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

|   |           |                                 |
|---|-----------|---------------------------------|
| Total Fund Balances - Total Governmental Funds  | \$        | 4,803,527                       |
| Amounts reported for governmental activities in the statement of net assets are different because:  |           |                                 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   |           | 13,451,122                      |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.  |           | 105,167                         |
| The vehicle maintenance department is used by management to account for unallocated direct costs that serve multiple functions of the government. This cumulative adjustment allocates a portion of such costs to business-type activities. |           | 83,403                          |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.  |           | <u>(1,860,088)</u>              |
| <b>Net Assets of Governmental Activities</b>  | <b>\$</b> | <b><u><u>16,583,131</u></u></b> |

The accompanying notes are an integral part of the financial statements.



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

|  | General<br>Fund | Accommodations<br>Tax Fund | Hospitality<br>Fund |
|--|-----------------|----------------------------|---------------------|
| <b>REVENUES</b>  |                 |                            |                     |
| Property Taxes   | \$ 2,076,455    | \$                         | \$                  |
| Franchise Fees   | 577,845         |                            |                     |
| Hospitality Fees   |                 |                            | 654,897             |
| Local Accommodations Taxes                                   |                 |                            |                     |
| Licenses and Permits   | 1,500,594       |                            |                     |
| Fines and Forfeitures  | 232,464         |                            |                     |
| Intergovernmental  | 544,340         | 449,355                    | 11,932              |
| Other  | 135,443         | 1,671                      | 128,054             |
| Total Revenues   | \$ 5,067,141    | \$ 451,026                 | \$ 794,883          |
| <b>EXPENDITURES</b>  |                 |                            |                     |
| Current:   |                 |                            |                     |
| General Government   | \$ 961,252      | \$                         | \$ 1,726            |
| Public Safety  | 2,151,091       | 72,980                     | 140,292             |
| Building and Zoning  | 214,470         |                            |                     |
| Grounds  | 216,035         | 11,638                     | 10,994              |
| Street   | 647,321         | 33,876                     |                     |
| Intragovernmental Maintenance                                | 92,047          |                            |                     |
| Culture and Recreation                                       | 307,468         | 41,934                     | 14,323              |
| Non-Departmental   | 97,163          | 161,629                    |                     |
| Capital Outlay   | 1,636,089       | 47,745                     | 349,797             |
| Debt Service:  |                 |                            |                     |
| Principal  | 375,000         |                            |                     |
| Interest   | 35,700          |                            |                     |
| Agent Fees   | 827             |                            |                     |
| Total Expenditures   | \$ 6,734,463    | \$ 369,802                 | \$ 517,132          |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures | \$ (1,667,322)  | \$ 81,224                  | \$ 277,751          |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                 |                            |                     |
| Transfers In   | \$ 324,083      | \$ 25,000                  | \$ 92,441           |
| Transfers Out  | (131,254)       | (46,218)                   | (60,000)            |
| Lease Purchase Proceeds                                      | 731,469         |                            |                     |
| Proceeds From Sale of Capital Assets                         | 109,691         | 7,826                      |                     |
| Total Other Financing Sources (Uses)                         | \$ 1,033,989    | \$ (13,392)                | \$ 32,441           |
| <b>Net Change in Fund Balances</b>                           | \$ (633,333)    | \$ 67,832                  | \$ 310,192          |
| <b>Beginning Fund Balance</b>                                | 4,563,328       | 15,721                     | 189,954             |
| <b>Ending Fund Balance</b>                                   | \$ 3,929,995    | \$ 83,553                  | \$ 500,146          |

The accompanying notes are an integral part of the financial statements.

| Local<br>Accommodations<br>Tax Fund | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Fund | Total<br>Governmental<br>Funds |
|-------------------------------------|-----------------------------|-------------------------------|--------------------------------|
| \$                                  | \$ 289,620                  | \$                            | \$ 2,366,075                   |
|                                     |                             |                               | 577,845                        |
|                                     |                             |                               | 654,897                        |
| 138,892                             |                             |                               | 138,892                        |
|                                     |                             |                               | 1,500,594                      |
|                                     |                             |                               | 232,464                        |
|                                     |                             | 5,699                         | 1,011,326                      |
| 58                                  | 1,008                       | 39                            | 266,273                        |
| <u>\$ 138,950</u>                   | <u>\$ 290,628</u>           | <u>\$ 5,738</u>               | <u>\$ 6,748,366</u>            |
| \$                                  | \$                          | \$                            | \$ 962,978                     |
|                                     |                             | 13,552                        | 2,377,915                      |
|                                     |                             |                               | 214,470                        |
|                                     | 21,775                      |                               | 260,442                        |
|                                     | 42,807                      |                               | 724,004                        |
|                                     |                             |                               | 92,047                         |
|                                     |                             |                               | 363,725                        |
|                                     |                             |                               | 258,792                        |
|                                     | 105,905                     |                               | 2,139,536                      |
|                                     |                             |                               | 375,000                        |
|                                     |                             |                               | 35,700                         |
|                                     |                             |                               | 827                            |
| <u>\$</u>                           | <u>\$ 170,487</u>           | <u>\$ 13,552</u>              | <u>\$ 7,805,436</u>            |
| <u>\$ 138,950</u>                   | <u>\$ 120,141</u>           | <u>\$ (7,814)</u>             | <u>\$ (1,057,070)</u>          |
| \$                                  | \$                          | \$ 38,813                     | \$ 480,337                     |
| (146,497)                           |                             |                               | (383,969)                      |
|                                     |                             |                               | 731,469                        |
|                                     |                             |                               | 117,517                        |
| <u>\$ (146,497)</u>                 | <u>\$</u>                   | <u>\$ 38,813</u>              | <u>\$ 945,354</u>              |
| \$ (7,547)                          | \$ 120,141                  | \$ 30,999                     | \$ (111,716)                   |
| 7,605                               | 138,635                     |                               | 4,915,243                      |
| <u>\$ 58</u>                        | <u>\$ 258,776</u>           | <u>\$ 30,999</u>              | <u>\$ 4,803,527</u>            |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

|  |           |                              |
|--|-----------|------------------------------|
| Net Change in Fund Balances - Total Governmental Funds   | \$        | (111,716)                    |
| Amounts reported for governmental activities in the statement of activities are different because:   |           |                              |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.                                  |           | 1,512,704                    |
| In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the capital assets sold or otherwise disposed of. |           | (174,799)                    |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |           | 26,494                       |
| The vehicle maintenance department is used by management to account for unallocated direct costs that serve multiple government functions. This adjustment allocates a portion of current governmental expenditures to business-type activities.   |           | 36,942                       |
| The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of activities.  |           | (731,469)                    |
| Repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.  |           | 375,000                      |
| 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.  |           | <u>(82,435)</u>              |
| <b>Change in Net Assets of Governmental Activities</b>   | <b>\$</b> | <b><u><u>850,721</u></u></b> |

The accompanying notes are an integral part of the financial statements.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

|  | <u>Sanitation<br/>Enterprise<br/>Fund</u> | <u>Pier<br/>Enterprise<br/>Fund</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|--|---|-------------------------------------|---------------------------------------|
| <b>ASSETS</b>  |   |                                     |                                       |
| Current Assets:  |   |                                     |                                       |
| Cash and Cash Equivalents  | \$ 498,230                                | \$ 115,156                          | \$ 613,386                            |
| Accounts Receivables (Net)   | 222,606                                   | 6,228                               | 228,834                               |
| Total Current Assets   | <u>\$ 720,836</u>                         | <u>\$ 121,384</u>                   | <u>\$ 842,220</u>                     |
| Noncurrent Assets:   |   |                                     |                                       |
| Land   | \$  | \$ 1,508,771                        | \$ 1,508,771                          |
| Construction in Progress   |   | 23,303                              | 23,303                                |
| Other Capital Assets (Net)   | 584,260                                   | 917,801                             | 1,502,061                             |
| Total Noncurrent Assets  | <u>\$ 584,260</u>                         | <u>\$ 2,449,875</u>                 | <u>\$ 3,034,135</u>                   |
| Total Assets   | <u>\$ 1,305,096</u>                       | <u>\$ 2,571,259</u>                 | <u>\$ 3,876,355</u>                   |
| <b>LIABILITIES</b>   |   |                                     |                                       |
| Current Liabilities:   |   |                                     |                                       |
| Accounts Payable and Accrued Expenses  | \$ 29,064                                 | \$ 692                              | \$ 29,756                             |
| Compensated Absences   | 16,883                                    |                                     | 16,883                                |
| Total Current Liabilities  | <u>\$ 45,947</u>                          | <u>\$ 692</u>                       | <u>\$ 46,639</u>                      |
| Noncurrent Liabilities:  |   |                                     |                                       |
| Compensated Absences   | \$ 12,937                                 | \$                                  | \$ 12,937                             |
| Advances From Other Fund   |   | 1,304,000                           | 1,304,000                             |
| Total Noncurrent Liabilities   | <u>\$ 12,937</u>                          | <u>\$ 1,304,000</u>                 | <u>\$ 1,316,937</u>                   |
| Total Liabilities  | <u>\$ 58,884</u>                          | <u>\$ 1,304,692</u>                 | <u>\$ 1,363,576</u>                   |
| <b>NET ASSETS</b>  |   |                                     |                                       |
| Invested in Capital Assets   | \$ 584,260                                | \$ 2,449,875                        | \$ 3,034,135                          |
| Unrestricted   | <u>661,952</u>                            | <u>(1,183,308)</u>                  | <u>(521,356)</u>                      |
| Total Net Assets   | <u>\$ 1,246,212</u>                       | <u>\$ 1,266,567</u>                 | \$ 2,512,779                          |
| Adjustment to reflect vehicle maintenance allocation from governmental activities. |   |                                     | <u>(83,403)</u>                       |
| Net Assets of Business-Type Activities   |   |                                     | <u>\$ 2,429,376</u>                   |

The accompanying notes are an integral part of the financial statements.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2011**

|  | Sanitation<br>Enterprise<br>Fund | Pier<br>Enterprise<br>Fund | Total<br>Enterprise<br>Funds |
|--|----------------------------------|----------------------------|------------------------------|
|  | <u>          </u>                | <u>          </u>          | <u>          </u>            |
| <b>OPERATING REVENUES</b>  |                                  |                            |                              |
| Charges for Services   | \$ 1,103,958                     | \$ 323,092                 | \$ 1,427,050                 |
| <b>OPERATING EXPENSES</b>  |                                  |                            |                              |
| Personnel Service and Related Expenses   | \$ 458,836                       | \$ 16,826                  | \$ 475,662                   |
| Maintenance and Service Contracts  | 349,141                          |                            | 349,141                      |
| Materials and Supplies   | 12,860                           | 1,815                      | 14,675                       |
| Repairs and Maintenance  | 1,533                            | 24,880                     | 26,413                       |
| Depreciation   | 110,336                          | 56,796                     | 167,132                      |
| Other Operating Expenses   | 23,887                           | 16,657                     | 40,544                       |
| Total Operating Expenses   | \$ <u>956,593</u>                | \$ <u>116,974</u>          | \$ <u>1,073,567</u>          |
| Operating Income (Loss)  | \$ <u>147,365</u>                | \$ <u>206,118</u>          | \$ <u>353,483</u>            |
| <b>NONOPERATING REVENUES</b>   |                                  |                            |                              |
| Interest Earnings  | \$ 2,528                         | \$ 317                     | \$ 2,845                     |
| Interest Expense   |                                  | (25,812)                   | (25,812)                     |
| Gain (Loss) on Disposal of Assets  | 9,027                            |                            | 9,027                        |
| Total Nonoperating Revenues  | \$ <u>11,555</u>                 | \$ <u>(25,495)</u>         | \$ <u>(13,940)</u>           |
| Income (Loss) Before Transfers   | \$ 158,920                       | \$ 180,623                 | \$ 339,543                   |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                  |                            |                              |
| Transfers Out  | \$ (70,198)                      | \$ (26,170)                | \$ (96,368)                  |
| Total Other Financing Sources (Uses)   | \$ <u>(70,198)</u>               | \$ <u>(26,170)</u>         | \$ <u>(96,368)</u>           |
| <b>Change in Net Assets</b>  | \$ 88,722                        | \$ 154,453                 | \$ 243,175                   |
| <b>Total Net Assets - Beginning</b>  | <u>1,157,490</u>                 | <u>1,112,114</u>           |                              |
| <b>Total Net Assets - Ending</b>   | \$ <u><u>1,246,212</u></u>       | \$ <u><u>1,266,567</u></u> |                              |
| Adjustment to reflect vehicle maintenance allocation from governmental activities. |                                  |                            | <u>(36,942)</u>              |
| Change in Net Assets of Business-Type Activities                                   |                                  |                            | \$ <u><u>206,233</u></u>     |

The accompanying notes are an integral part of the financial statements.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2011**

|  | <u>Sanitation<br/>Enterprise<br/>Fund</u> | <u>Pier<br/>Enterprise<br/>Fund</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|--|---|-------------------------------------|---------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |   |                                     |                                       |
| Receipts from Customers  | \$ 1,107,348                              | \$ 316,864                          | \$ 1,424,212                          |
| Payments to Suppliers  | (402,397)                                 | (110,526)                           | (512,923)                             |
| Payments to Employees  | (468,372)                                 | (19,067)                            | (487,439)                             |
| Net Cash and Cash Equivalents Provided by Operating Activities                   | <u>\$ 236,579</u>                         | <u>\$ 187,271</u>                   | <u>\$ 423,850</u>                     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                           |   |                                     |                                       |
| Transfers Out  | <u>\$ (70,198)</u>                        | <u>\$ (26,170)</u>                  | <u>\$ (96,368)</u>                    |
| Net Cash and Cash Equivalents (Used) by Noncapital Financing Activities          | <u>\$ (70,198)</u>                        | <u>\$ (26,170)</u>                  | <u>\$ (96,368)</u>                    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                  |   |                                     |                                       |
| Purchase of Capital Assets   | \$ (115,079)                              | \$ (24,354)                         | \$ (139,433)                          |
| Proceeds from Disposal of Capital Assets   | 25,689                                    |                                     | 25,689                                |
| Interest Paid on Interfund Loan to General Fund                                  |   | (25,812)                            | (25,812)                              |
| Net Cash and Cash Equivalents (Used) by Capital and Related Financing Activities | <u>\$ (89,390)</u>                        | <u>\$ (50,166)</u>                  | <u>\$ (139,556)</u>                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |   |                                     |                                       |
| Interest Received  | <u>\$ 2,528</u>                           | <u>\$ 317</u>                       | <u>\$ 2,845</u>                       |
| Net Cash and Cash Equivalents Provided by Investing Activities                   | <u>\$ 2,528</u>                           | <u>\$ 317</u>                       | <u>\$ 2,845</u>                       |
| <b>Net Increase in Cash and Cash Equivalents</b>                                 | <b>\$ 79,519</b>                          | <b>\$ 111,252</b>                   | <b>\$ 190,771</b>                     |
| <b>Cash and Cash Equivalents - Beginning</b>                                     | <u>418,711</u>                            | <u>3,904</u>                        | <u>422,615</u>                        |
| <b>Cash and Cash Equivalents - Ending</b>  | <u><u>\$ 498,230</u></u>                  | <u><u>\$ 115,156</u></u>            | <u><u>\$ 613,386</u></u>              |

The accompanying notes are an integral part of the financial statements.



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2011**

|  | <u>Sanitation<br/>Enterprise<br/>Fund</u> | <u>Pier<br/>Enterprise<br/>Fund</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|--|---|-------------------------------------|---------------------------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash and<br/>Cash Equivalents Provided by Operating Activities</b> |   |                                     |                                       |
| Operating Income (Loss)  | \$ 147,365                                | \$ 206,118                          | \$ 353,483                            |
| Adjustments to Reconcile Operating Income (Loss) to Net<br>Cash and Cash Equivalents Provided by Operating Activities: |   |                                     |                                       |
| Depreciation   | 110,336                                   | 56,796                              | 167,132                               |
| (Increase) Decrease in Accounts Receivable (Net)   | 3,390                                     | (6,228)                             | (2,838)                               |
| Increase (Decrease) in Accounts Payable<br>and Accrued Expenses  | (12,617)                                  | (22,954)                            | (35,571)                              |
| Increase (Decrease) in Compensated Absences  | (11,895)                                  |                                     | (11,895)                              |
| Increase (Decrease) in Due to Other Funds  |   | (46,461)                            | (46,461)                              |
| Net Cash and Cash Equivalents Provided by Operating<br>Activities  | <u>\$ 236,579</u>                         | <u>\$ 187,271</u>                   | <u>\$ 423,850</u>                     |

The accompanying notes are an integral part of the financial statements.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**June 30, 2011**

**ASSETS**

|                           |                  |
|---------------------------|------------------|
| Cash and Cash Equivalents | \$ <u>36,055</u> |
|---------------------------|------------------|

**LIABILITIES**

|                              |                  |
|------------------------------|------------------|
| Due to Firemen's Association | \$ <u>36,055</u> |
|------------------------------|------------------|

The accompanying notes are an integral part of the financial statements.



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Surfside Beach, South Carolina (Town) was incorporated in 1964 as a municipal corporation and as such possessed all the general powers granted by the Constitution and laws of South Carolina to municipal corporations.

The Town operates under the Council-Administrator form of government. The Town Council is composed of six members and the Mayor, who serves as presiding officer. The Town Council is the legislative body of the Town and has the major responsibility of determining the policies and direction of the municipal government. The Town Administrator is appointed by Town Council, and serves as the chief administrative officer of the Town. As such, he administers the daily operations of the Town through appointed department heads.

The Town's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town applies all relevant GASB pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Although the Town has the option of applying subsequent private-sector guidance issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

The more significant accounting policies of the Town are described below:

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units; potential component units are legally separate organizations for which the elected officials of the Town might be considered to be financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, based on Statements No. 14 of the GASB. The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents; it follows that an accountability perspective should provide the basis for defining the financial reporting entity. In accordance with that concept, the Town financial reporting entity consists only of all of the departments and funds of the Town, the primary government; no other separate entities have been included in the reporting entity (and these financial statements) because the Town is not financially accountable for any other separate organizations, and there are no other organizations for which the nature and significance of their relationship with the Town is such that exclusion would cause the financial statements to be misleading or incomplete.

**B. Government-Wide Financial Statements**

The Town's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of its nonfiduciary activities. For the most part, 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.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and b) 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. Internally dedicated resources are also reported as general revenues.

The government-wide financial statement focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current period's activities.

**C. Fund Financial Statements**

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The Town uses the following fund types:

Governmental Funds

The focus of the governmental funds' measurement, in the fund statements, is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the Town's governmental funds:

1. General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
3. Capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary fund).

Proprietary Funds

The focus of the proprietary funds' measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

1. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Fiduciary Fund

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The emphasis in the fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentages of assets, liabilities, revenues, or expenditures/expenses) for the determination of major funds.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Accommodations Tax Fund* is a special revenue fund that is used to account for monies received from the State, representing the Town's share of special taxes collected on rentals of transient accommodations, for the purpose of tourism related expenditures.

The *Hospitality Fund* is a special revenue fund that is used to account for a 1% fee imposed on accommodations, paid places of amusement and food and beverages served by a food facility for the purpose of beach maintenance, public beach accesses, transportation improvements, public park facilities, and capital facilities and equipment necessary for the provision of public safety services.

The *Local Accommodations Tax Fund* is a special revenue fund that is used to account for a ½% tax levied on rentals of transient accommodations for the purpose of tourism related buildings; beach accesses and maintenance; highways, roads, streets and bridges; promotion of tourism; water and sewer infrastructure; and the operation and maintenance of the above, including public safety operations directly attendant to the facilities.

The *Capital Projects Fund* is used to account for the acquisition or construction of major capital facilities.

The Town reports the following major proprietary funds:

The *Sanitation Fund* is an enterprise fund that is used to account for the provision of sanitation collection services to the residents and businesses of the Town.

The *Pier Fund* is an enterprise fund that is used to account for admissions to the pier from the general public and rentals from businesses that operate on the pier.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Town's agency fund is presented in the fiduciary fund financial statement. Since these assets cannot be used to address activities or obligations of the Town, the agency fund is not incorporated into the government-wide financial statements. The Town's agency fund is as follows:

The *Firemen's Fund* is used to account for resources held by the Town for its firemen in an agency capacity.

Additionally, the Town reports the Seized Drug Fund as a non-major governmental fund. This fund is used to account for property seized and forfeited to the Town in conjunction with the police department's drug enforcement activities. Expenditures of these resources are restricted by federal and state laws, which require that they be used specifically for certain law enforcement purposes.

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The Town's fiduciary funds consist only of agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 payment is due.

The Town considers property taxes, franchise taxes, business licenses, hospitality taxes, local accommodations taxes, intergovernmental revenues and interest to be susceptible to accrual. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include permits, fines and forfeitures.

**E. Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Investments are stated at fair value. Changes in the fair value of investments are included as a component of investment income. The Town uses quoted market prices to determine the fair value of investments. The fair value of the Town's position in the South Carolina Local Government Investment Pool (SCLGIP) is the same as the value of the pool shares. The SCLGIP is not registered with the Securities and Exchange Commission as an investment company. The State Treasurer is responsible for oversight of the SCLGIP.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F. Receivables**

Receivables are presented in the financial statements net of allowances for doubtful accounts. Allowances for doubtful accounts are based upon historical trends and the periodic aging of receivables.

**G. Interfund Activity**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is classified as either loans (advances), services provided, reimbursements or transfers.

Loans are referred to as "due to/from other funds" (i.e., the current portion) or "advances to/from other funds" (i.e., the noncurrent portion). Advances between funds are offset by a fund balance reserve in the governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as "internal balances." Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**H. Inventories**

Inventories are valued at cost, primarily on a first-in/first-out (FIFO) basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**I. Prepaid Assets**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both the government-wide and fund financial statements.

**J. Restricted Assets**

Restricted assets include cash and cash equivalents that are legally restricted as to their use. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, drainage systems, etc.), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The costs of normal maintenance and repairs, which neither materially add to the value of an asset nor prolong its life, are charged to expense as incurred. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

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

|                                   | <u>Years</u> |
|-----------------------------------|--------------|
| Land                              | N/A          |
| Land Improvements                 | 20 - 30      |
| Buildings and Improvements        | 10 - 40      |
| Machinery, Equipment and Vehicles | 5 - 20       |
| Infrastructure                    | 20 - 30      |

The Town has elected not to retroactively report infrastructure acquired prior to April 1, 2003.

**L. Compensated Absences**

As of April 1, 2009, it is the Town's policy to permit employees to accumulate earned but unused paid time off (PTO) benefits. Unused PTO may be accumulated to a maximum of 640 hours. Upon separation from Town service, an employee is entitled to reimbursement of accumulated PTO hours. PTO pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**M. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity or proprietary fund statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund 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 are reported as debt service expenditures.

**N. Equity Classifications**

In the government-wide financial statements and proprietary fund financial statements, equity is classified as net assets and is displayed in the following components:

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Invested in Capital Assets, Net of Related Debt* – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

*Restricted Net Assets* – Consists of net assets with constraints placed on their use by (a) third parties such as creditors, grantors, contributors or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.

*Unrestricted Net Assets* – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the governmental fund financial statements, equity is classified as fund balance. During the current fiscal year, the Town implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the Town’s financial statements have changed as a result of implementing this statement.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable Fund Balance* – Consists of amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

*Restricted Fund Balance* – Consists of amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed Fund Balance* – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Assigned Fund Balance* – Consists of amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

*Unassigned Fund Balance* – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for a specific purpose. When fund balance resources are available for a specific purpose in more than one classification, it is the Town of Surfside Beach’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Stabilization arrangements exist when a government formally sets aside fund balances to be used in emergencies or when revenue shortages arise. Town Council has the authority to establish stabilization arrangements and has adopted the following by Town resolution:

*Cash Flow Requirements Fund* – A \$300,000 stabilization fund which is to be used when necessary during months when operating expenses exceed operating revenues.

*Emergency Contingency Fund* – A \$100,000 stabilization fund which is to be used for emergency situations arising out of natural disasters for the protection of the public safety, health, and welfare of Town residents.

The Town's stabilization arrangements are reported with unassigned fund balances in the general fund.

**O. Revenues and Expenses**

Real property and all personal property other than vehicles are assessed for property tax purposes as of January 1<sup>st</sup> of each year. All taxable property is assessed in proportion to its value on that date. The basis for the value of taxable property within the Town is taken from the records of the Horry County Auditor. Taxes are payable between October 1<sup>st</sup> and January 15<sup>th</sup> following their levy on October 1<sup>st</sup>. The lien date is January 15<sup>th</sup> and unpaid amounts after this date are considered to be delinquent and are subject to penalties for late payment.

New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Highway Department and payment is due before the end of the month of the scheduled renewal.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary funds are charges to customers for services/admissions and rentals. Operating expenses include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with GASB Statement No. 33, the Town recognizes grant revenues and receivables when the applicable eligibility requirements, including time requirements, are met. Resources received before the eligibility requirements are met are reported as deferred revenue.

In proprietary fund financial statements, capital contributions, which consist of contributed capital assets and grant revenues restricted to capital purposes, are reported as nonoperating revenues based on GASB Statement No. 33.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental funds balance sheet is followed by a reconciliation between total fund balances - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. The details of the element in the reconciliation that relates to long-term liabilities (\$1,860,088) follows:

|                                    |    |                           |
|------------------------------------|----|---------------------------|
| Bonds Payable (Net)                | \$ | (809,447)                 |
| Capital Leases Payable             |    | (731,469)                 |
| Compensated Absences               |    | (312,041)                 |
| Accrued Interest Payable           |    | (20,976)                  |
| Deferred Bond Issuance Costs (Net) |    | <u>13,845</u>             |
| Total                              | \$ | <u><u>(1,860,088)</u></u> |

The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between net change in fund balances - total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation that relates to capital outlays (\$1,512,704) is comprised of the following:

|                      |    |                         |
|----------------------|----|-------------------------|
| Depreciation Expense | \$ | (623,867)               |
| Capital Outlay       |    | <u>2,136,571</u>        |
| Total                | \$ | <u><u>1,512,704</u></u> |

Another element of the reconciliation that relates to expenses that do not require the use of current financial resources (\$82,435) is comprised of the following:

|   |    |                        |
|---|----|------------------------|
| Compensated Absences                      | \$ | (61,718)               |
| Accrued Interest                          |    | (9,076)                |
| Amortization of Bond Issuance Costs       |    | (8,308)                |
| Amortization of Bond Premium              |    | 3,617                  |
| Amortization of Loss on Advance Refunding |    | <u>(6,950)</u>         |
| Total                                     | \$ | <u><u>(82,435)</u></u> |

**Note 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Appropriations**

The legal level of budget control is at the fund level. Thus, expenditures may not legally exceed appropriations, including supplemental appropriations, for an individual fund. For the year ended June 30, 2011, expenditures exceeded appropriations by \$508,775 in the Town's general fund. This excess is the result of the purchase of a fire truck with lease proceeds which, for accounting purposes must be included in capital outlay, but was not budgeted by the Town. None of the Town's other individual funds reported an excess of expenditures over appropriations at June 30, 2011.

**B. Deficit Fund Equity**

At June 30, 2011, none of the Town's individual funds have fund equity deficits.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 4 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

At June 30, 2011, the carrying amount of the Town's deposits with financial institutions was \$2,578,166 and the corresponding bank balance was \$2,718,840. Cash on hand was \$2,875.

*Custodial Credit Risk* - For deposits, this 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 policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2011, none of the Town's bank balances were exposed to custodial credit risk.

**B. Investments**

State statutes authorize the Town to invest in obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent that the same are insured by an agency of the federal government, certificates of deposit where the certificates are collaterally secured by securities of the type described above, or deposit accounts with banking institutions. The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. Statutes also allow the State Treasurer to assist local governments in investing funds. The Town is under no contractual agreements that restrict investment alternatives.

As of June 30, 2011, the Town's investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$1,472,505. It is the policy of the State Treasurer that the weighted average maturity of the LGIP portfolio not exceed 60 days. For purposes of financial statement presentation, funds deposited with the SCLGIP are classified as cash and cash equivalents.

*Custodial Credit Risk* - For investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Since deposits with the SCLGIP are not evidenced by securities that exist in physical or book-entry form, they are not exposed to custodial credit risk.

*Credit Risk* - The Town's investment policy requires that its portfolio consist largely of securities with top ratings issued by nationally recognized statistical rating organizations. The Town's investment in the SCLGIP was unrated. Funds deposited into the State Treasurer's investment pool are used to purchase: 1) direct obligations of the U.S. government, 2) federal agency securities, 3) repurchase agreements secured by the U.S. government and/or federal agency securities and 4) commercial paper rated A1/P1 (S&P/Moody's highest rating).

*Concentration of Credit Risk* - The Town's investment policy places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in external investment pools are excluded from this disclosure requirement.

*Interest Rate Risk* - The Town's investment policy is to mitigate interest rate risk and ensure the preservation of capital in the overall portfolio. The Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. Currently, the Town only invests in the external investment pool of the State Treasurer that limits its weighted average maturity to 60 days or less.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 5 - RECEIVABLES**

Receivables at June 30, 2011 for individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

|                          | <u>General<br/>Fund</u> | <u>A-Tax<br/>Fund</u> | <u>Hospitality<br/>Fund</u> | <u>Local<br/>A-Tax Fund</u> | <u>Non-Major<br/>Governmental<br/>Fund</u> | <u>Totals</u>     |
|--------------------------|-------------------------|-----------------------|-----------------------------|-----------------------------|--|-------------------|
| Governmental Activities: |                         |                       |                             |                             |  |                   |
| Property Taxes           | \$ 210,875              | \$                    | \$                          | \$                          | \$   | 210,875           |
| Hospitality Fees         |                         |                       | 103,302                     |                             |  | 103,302           |
| Local A-Taxes            |                         |                       |                             | 23,521                      |  | 23,521            |
| Business Licenses        | 40,824                  |                       |                             |                             |  | 40,824            |
| Intergovernmental        | 259,529                 | 100,320               |                             |                             | 5,699                                      | 365,548           |
| Other                    | 300                     |                       |                             |                             |  | 300               |
|                          | <u>\$ 511,528</u>       | <u>\$ 100,320</u>     | <u>\$ 103,302</u>           | <u>\$ 23,521</u>            | <u>\$ 5,699</u>                            | <u>\$ 744,370</u> |
| Allowance                | <u>(93,611)</u>         |                       |                             |                             |  | <u>(93,611)</u>   |
| Net Receivables          | <u>\$ 417,917</u>       | <u>\$ 100,320</u>     | <u>\$ 103,302</u>           | <u>\$ 23,521</u>            | <u>\$ 5,699</u>                            | <u>\$ 650,759</u> |

|                           | <u>Sanitation<br/>Fund</u> | <u>Pier Fund</u> | <u>Totals</u>     |
|---------------------------|----------------------------|------------------|-------------------|
| Business-Type Activities: |                            |                  |                   |
| Customer Accounts         | \$ 224,106                 | \$ 6,228         | \$ 230,334        |
|                           | \$ 224,106                 | \$ 6,228         | \$ 230,334        |
| Allowance                 | <u>(1,500)</u>             |                  | <u>(1,500)</u>    |
| Net Receivables           | <u>\$ 222,606</u>          | <u>\$ 6,228</u>  | <u>\$ 228,834</u> |

On November 19, 2001, the Town entered into a sanitation collection billing agreement with Grand Strand Water & Sewer Authority (GSWSA). The agreement requires GSWSA to administer the Town's sanitation billing and collection process. The Town is charged \$1.25 per account each month for this service and receives the amounts collected by GSWSA monthly.

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**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2011, interfund receivables and payables from interfund transactions were as follows:

|                               | Due From<br>Other Funds    | Due to<br>Other Funds        |
|-------------------------------|----------------------------|------------------------------|
| General Fund                  | \$ 32,926                  | \$                           |
| Accommodations Tax Fund       | .                          | 9,451                        |
| Local Accommodations Tax Fund | .                          | 23,475                       |
| Total                         | \$ 32,926                  | \$ 32,926                    |
|                               |                            |                              |
|                               | Advances To<br>Other Funds | Advances From<br>Other Funds |
| General Fund                  | \$ 1,304,000               | \$                           |
| Pier Fund                     | .                          | 1,304,000                    |
| Total                         | \$ 1,304,000               | \$ 1,304,000                 |

The balance due from the Pier Fund to the General Fund represents a long-term loan to finance the purchase of the Surfside Pier. The loan was authorized by Town Council in September of 2008 to be repaid over a term of ten years in annual installments of \$163,000 plus interest at 2.00%. On June 14, 2011, the Town adopted a resolution to defer principal repayment for the next two years. After this two year period, principal payments will resume as scheduled.

Transfers are used to move certain revenues to finance various program costs that the government must account for in other funds in accordance with budgetary authorizations, including administrative allocations. A schedule of interfund transfers is as follows:

|                               | Transfers In | Transfers Out |
|-------------------------------|--------------|---------------|
| General Fund                  | \$ 324,083   | \$ 131,254    |
| Accommodations Tax Fund       | 25,000       | 46,218        |
| Hospitality Fund              | 92,441       | 60,000        |
| Local Accommodations Tax Fund | .            | 146,497       |
| Non-Major Governmental Fund   | 38,813       | .             |
| Sanitation Fund               | .            | 70,198        |
| Pier Fund                     | .            | 26,170        |
| Total                         | \$ 480,337   | \$ 480,337    |

The Town made a one-time nonrecurring residual equity transfer of \$38,813 from the General Fund to establish the Seized Drug Fund.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 7 - RESTRICTED CASH AND CASH EQUIVALENTS**

The Town's restricted cash and cash equivalents consisted of the following at June 30, 2011:

|                          | General<br>Fund  | Non-Major<br>Governmental<br>Fund | Totals           |
|--------------------------|------------------|-----------------------------------|------------------|
| Governmental Activities: |                  |                                   |                  |
| Bail Bonds               | \$ 20,363        | \$                                | \$ 20,363        |
| Drug Funds               |                  | 12,415                            | 12,415           |
| Other Deposits Held      | 600              |                                   | 600              |
| Total                    | <u>\$ 20,963</u> | <u>\$ 12,415</u>                  | <u>\$ 33,378</u> |

**Note 8 - CAPITAL ASSETS**

The Town's capital asset activity for the year ended June 30, 2011 was as follows:

|                                    | Beginning<br>Balance  | Increases           | Decreases             | Ending<br>Balance     |
|------------------------------------|-----------------------|---------------------|-----------------------|-----------------------|
| Governmental Activities:           |                       |                     |                       |                       |
| Capital Assets not Depreciated:    |                       |                     |                       |                       |
| Land                               | \$ 2,281,527          | \$                  | \$                    | \$ 2,281,527          |
| Construction in Progress           | 2,523,121             | 731,684             | (2,561,963)           | 692,842               |
|                                    | <u>\$ 4,804,648</u>   | <u>\$ 731,684</u>   | <u>\$ (2,561,963)</u> | <u>\$ 2,974,369</u>   |
| Capital Assets Being Depreciated:  |                       |                     |                       |                       |
| Land Improvements                  | \$ 879,397            | \$ 62,379           | \$                    | \$ 941,776            |
| Building Improvements              | 1,653,079             | 2,490,343           | (233,895)             | 3,909,527             |
| Machinery, Equipment & Vehicles    | 3,704,152             | 1,349,130           | (677,716)             | 4,375,566             |
| Infrastructure                     | 5,339,482             | 57,772              |                       | 5,397,254             |
|                                    | <u>\$ 11,576,110</u>  | <u>\$ 3,959,624</u> | <u>\$ (911,611)</u>   | <u>\$ 14,624,123</u>  |
| Less Accumulated Depreciation for: |                       |                     |                       |                       |
| Land Improvements                  | \$ (287,036)          | \$ (43,090)         | \$                    | \$ (330,126)          |
| Building Improvements              | (784,026)             | (88,565)            | 147,525               | (725,066)             |
| Machinery, Equipment & Vehicles    | (2,514,641)           | (286,310)           | 596,513               | (2,204,438)           |
| Infrastructure                     | (681,838)             | (205,902)           |                       | (887,740)             |
|                                    | <u>\$ (4,267,541)</u> | <u>\$ (623,867)</u> | <u>\$ 744,038</u>     | <u>\$ (4,147,370)</u> |
| Capital Assets (Net)               | <u>\$ 12,113,217</u>  | <u>\$ 4,067,441</u> | <u>\$ (2,729,536)</u> | <u>\$ 13,451,122</u>  |



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 8 - CAPITAL ASSETS (continued)**

|                                    | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
|------------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| Business-Type Activities:          |                              |                     |                     |                           |
| Capital Assets not Depreciated:    |                              |                     |                     |                           |
| Land                               | \$ 1,508,771                 | \$                  | \$                  | \$ 1,508,771              |
| Construction in Progress           | <u>32,379</u>                | <u>7,846</u>        | <u>(16,922)</u>     | <u>23,303</u>             |
|                                    | <u>\$ 1,541,150</u>          | <u>\$ 7,846</u>     | <u>\$ (16,922)</u>  | <u>\$ 1,532,074</u>       |
| Capital Assets Being Depreciated:  |                              |                     |                     |                           |
| Buildings                          | \$ 1,050,557                 | \$ 33,430           | \$                  | \$ 1,083,987              |
| Machinery, Equipment and Vehicles  | <u>1,101,097</u>             | <u>115,079</u>      | <u>(107,105)</u>    | <u>1,109,071</u>          |
|                                    | <u>\$ 2,151,654</u>          | <u>\$ 148,509</u>   | <u>\$ (107,105)</u> | <u>\$ 2,193,058</u>       |
| Less Accumulated Depreciation for: |                              |                     |                     |                           |
| Buildings                          | \$ (110,571)                 | \$ (52,068)         | \$                  | \$ (162,639)              |
| Machinery, Equipment and Vehicles  | <u>(503,735)</u>             | <u>(115,064)</u>    | <u>90,441</u>       | <u>(528,358)</u>          |
|                                    | <u>\$ (614,306)</u>          | <u>\$ (167,132)</u> | <u>\$ 90,441</u>    | <u>\$ (690,997)</u>       |
| Capital Assets (Net)               | <u>\$ 3,078,498</u>          | <u>\$ (10,777)</u>  | <u>\$ (33,586)</u>  | <u>\$ 3,034,135</u>       |

Depreciation expense was charged to functions/programs of the Town as follows:

|                           |                   |
|---------------------------|-------------------|
| Governmental Activities:  |                   |
| General Government        | \$ 190,906        |
| Public Safety             | 240,147           |
| Building and Zoning       | 2,088             |
| Grounds                   | 13,461            |
| Street                    | 144,707           |
| Culture and Recreational  | <u>32,558</u>     |
| Total                     | <u>\$ 623,867</u> |
| Business-Type Activities: |                   |
| Sanitation                | \$ 110,336        |
| Pier                      | <u>56,796</u>     |
| Total                     | <u>\$ 167,132</u> |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 9 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2011, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

|                        | <u>General Fund</u>      |
|------------------------|--------------------------|
| Unavailable:           |                          |
| Property Taxes         | \$ <u>105,167</u>        |
| Total Unavailable      | \$ <u>105,167</u>        |
| Total Deferred Revenue | \$ <u><u>105,167</u></u> |

**Note 10 - LONG-TERM LIABILITIES**

**A. Governmental Activities – General Obligation Bonds**

General obligation bonds issued for governmental activities and currently outstanding at June 30, 2011, are as follows:

|                           | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Outstanding</u> |
|---------------------------|-----------------------|----------------------|----------------------|--------------------|
| General Obligation Bonds: |                       |                      |                      |                    |
| Refunding Series 2004     | \$ 3,165,000          | 2.0 - 3.0%           | 03/01/13             | \$ 815,000         |

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are to be repaid with property tax revenues.

Annual debt service requirements to maturity for general obligation bonds are as follows:

|                      | <u>Principal</u>         | <u>Interest</u>         | <u>Total</u>             |
|----------------------|--------------------------|-------------------------|--------------------------|
| Year Ending June 30, |                          |                         |                          |
| 2012                 | \$ 400,000               | \$ 24,450               | \$ 424,450               |
| 2013                 | <u>415,000</u>           | <u>12,450</u>           | <u>427,450</u>           |
| Total                | <u><u>\$ 815,000</u></u> | <u><u>\$ 36,900</u></u> | <u><u>\$ 851,900</u></u> |

**B. Governmental Activities – Capital Leases**

Capital leases entered into for governmental activities and currently outstanding at June 30, 2011, are as follows:

|                                  | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Outstanding</u> |
|----------------------------------|-----------------------|----------------------|----------------------|--------------------|
| Capital Leases:                  |                       |                      |                      |                    |
| Fire Truck Lease Purchase (2010) | \$ 731,469            | 2.52%                | 10/01/20             | \$ 731,469         |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 10 - LONG-TERM LIABILITIES** (continued)

The Town has entered into a lease agreement as lessee for financing the acquisition of a fire truck. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the net present value of future minimum lease payments. The gross amount of the asset recorded under the capital lease at June 30, 2011 for governmental activities is \$738,532 with corresponding accumulated depreciation of \$14,568. This asset is classified as machinery, equipment and vehicles in the financial statements.

Annual debt service requirements to maturity for capital leases are as follows:

| Year Ending June 30, | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>      |
|----------------------|-------------------|-------------------|-------------------|
| 2012                 | \$ 73,147         | \$ 17,102         | \$ 90,249         |
| 2013                 | 73,147            | 16,866            | 90,013            |
| 2014                 | 73,147            | 14,951            | 88,098            |
| 2015                 | 73,147            | 13,082            | 86,229            |
| 2016                 | 73,147            | 11,213            | 84,360            |
| 2016 - 2020          | <u>365,734</u>    | <u>28,065</u>     | <u>393,799</u>    |
| Total                | <u>\$ 731,469</u> | <u>\$ 101,279</u> | <u>\$ 832,748</u> |

**C. Changes in Long-Term Liabilities**

The Town's long-term liability activity for the year ended June 30, 2011 was as follows:

|                                  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|----------------------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| <b>Governmental Activities:</b>  |                              |                   |                     |                           |                                |
| <b>Bonds Payable:</b>            |                              |                   |                     |                           |                                |
| General Obligation               | \$ 1,190,000                 | \$                | \$ (375,000)        | \$ 815,000                | \$ 400,000                     |
| Premium                          | 9,645                        |                   | (3,617)             | 6,028                     |                                |
| Loss on Refunding                | <u>(18,531)</u>              | <u></u>           | <u>6,949</u>        | <u>(11,582)</u>           | <u></u>                        |
| Total Bonds Payable              | \$ 1,181,114                 | \$                | \$ (371,668)        | \$ 809,446                | \$ 400,000                     |
| Capital Leases                   |                              | 731,469           |                     | 731,469                   | 73,147                         |
| Compensated Absences             | <u>262,736</u>               | <u>170,862</u>    | <u>(121,557)</u>    | <u>312,041</u>            | <u>99,325</u>                  |
| Total                            | <u>\$ 1,443,850</u>          | <u>\$ 902,331</u> | <u>\$ (493,225)</u> | <u>\$ 1,852,956</u>       | <u>\$ 572,472</u>              |
| <b>Business-Type Activities:</b> |                              |                   |                     |                           |                                |
| Compensated Absences             | <u>\$ 41,715</u>             | <u>\$ 20,886</u>  | <u>\$ (32,781)</u>  | <u>\$ 29,820</u>          | <u>\$ 16,883</u>               |

Other long-term liabilities, such as compensated absences, are generally liquidated by the General Fund and Sanitation Fund.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 11- RETIREMENT PLANS**

**A. Plan Description**

Town employees participate in either the South Carolina Police Officers Retirement System (PORS) or the South Carolina Retirement System (SCRS) depending on their duties. Both plans are administered by the South Carolina Retirement Systems and are classified as cost-sharing multiple-employer defined benefit public employee retirement systems (PERS). Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefit provisions are established under authority of Title 9 of the South Carolina Code of Laws. The South Carolina Retirement Systems issue a Comprehensive Annual Financial Report which discloses detailed information regarding benefit provisions and actuarial information. That report is available to the public and may be obtained by writing to South Carolina Retirement Systems, Post Office Box 11960, Capital Station, Columbia, South Carolina 29211-1960 or by accessing their website at [www.retirement.sc.gov](http://www.retirement.sc.gov).

**B. Funding Policy**

Members of the PORS and SCRS are required to contribute at rates of 6.50% of their covered wages. The Town is required to contribute at actuarially determined rates, currently 11.33% of PORS member wages and 9.39% of SCRS member wages which includes group life contributions of .20% and .15%, respectively. The contribution requirements of plan members and the Town are established and may be amended by the South Carolina Retirement Systems. The Town's contributions to the PORS for the fiscal periods ended June 30, 2011, June 30, 2010, and March 31, 2009 were \$122,690, \$142,963, and \$109,239, respectively. The Town's contributions to the SCRS for the fiscal periods ended June 30, 2011, June 30, 2010, and March 31, 2009 were \$159,250, \$203,410, and \$154,973, respectively. The contributions made by the Town to the PORS and SCRS, as shown above, were equal to the required contributions for each period.

**Note 12 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these losses, the Town purchases insurance. There were no significant reductions in insurance coverage from the previous year. Settled claims have not exceeded insurance coverage for the past three fiscal periods ended June 30, 2011, June 30, 2010, and March 31, 2009. The Town also acquires insurance for job related injury and illness (workers' compensation) for its employees. Workers' compensation is insured under a retrospectively rated policy where premiums paid are estimated throughout the year and adjusted subsequent to the policy period based on actual experience.

**Note 13 - LITIGATION AND CONTINGENCIES**

The Town is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable; however, the Town does not believe the settlement of these matters will have a material effect on the financial condition of the Town. The Town also participates in federal and/or state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The Town expects such amounts, if any, to be immaterial.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 14 - NET ASSETS RESTRICTIONS**

The Town has restricted net assets in the amount of \$397,701 for tourism promotion and support. Of this amount, \$304,697 has been restricted through enabling legislation to be financed by the Town's local hospitality and accommodations taxes.

**Note 15 - CONSTRUCTION COMMITMENTS**

The Town has active construction projects as of June 30, 2011. The projects include such items as construction of Surfside Drive streetscape, engineering for storm water improvements, and engineering for the next underground utility project.

As of June 30, 2011, the Town's commitments with contractors are as follows:

|                         | <u>Spent to Date</u> | <u>Remaining<br/>Commitment</u> | <u>Estimated<br/>Completion<br/>Date</u> |
|-------------------------|----------------------|---------------------------------|--|
| Streetscape             | \$ 423,068           | \$ 35,471                       | December 2011                            |
| Stormwater Improvements | 24,426               | 17,674                          | April 2012                               |
| Underground Utility     | <u>66,405</u>        | <u>59,095</u>                   | November 2011                            |
| Total                   | <u>\$ 513,899</u>    | <u>\$ 112,240</u>               |  |

**Note 16 - SUBSEQUENT EVENTS**

In August of 2011, the Town purchased property near the new fire station in the amount of \$90,000 in connection with its efforts to close a portion of 1<sup>st</sup> Avenue at Poplar Drive.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2011**

|  | Budgeted Amounts |                | Actual<br>Amounts | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|----------------|-------------------|---|
|  | Original         | Final          |                   |   |
| <b>REVENUES</b>  |                  |                |                   |   |
| Property Taxes   | \$ 2,124,000     | \$ 2,124,000   | \$ 2,076,455      | \$ (47,545)   |
| Franchise Fees   | 549,600          | 549,716        | 577,845           | 28,129  |
| Licenses and Permits   | 1,467,000        | 1,467,000      | 1,500,594         | 33,594  |
| Fines and Forfeitures  | 200,000          | 243,843        | 232,464           | (11,379)  |
| Intergovernmental  | 603,220          | 710,636        | 544,340           | (166,296)   |
| Other  | 105,271          | 108,967        | 135,443           | 26,476  |
| Total Revenues   | \$ 5,049,091     | \$ 5,204,162   | \$ 5,067,141      | \$ (137,021)  |
| <b>EXPENDITURES</b>  |                  |                |                   |   |
| Current:   |                  |                |                   |   |
| General Government   | \$ 994,276       | \$ 1,019,570   | \$ 961,252        | \$ 58,318   |
| Public Safety  | 2,303,747        | 2,238,723      | 2,151,091         | 87,632  |
| Building and Zoning  | 241,125          | 220,291        | 214,470           | 5,821   |
| Grounds  | 243,165          | 224,121        | 216,035           | 8,086   |
| Street   | 710,327          | 717,208        | 647,321           | 69,887  |
| Intragovernmental Maintenance                                | 80,962           | 95,238         | 92,047            | 3,191   |
| Culture and Recreation                                       | 256,811          | 282,615        | 307,468           | (24,853)  |
| Non-Departmental   | 113,418          | 112,149        | 97,163            | 14,986  |
| Capital Outlay   | 759,500          | 901,027        | 1,636,089         | (735,062)   |
| Debt Service:  |                  |                |                   |   |
| Principal  | 375,000          | 375,000        | 375,000           |   |
| Interest   | 35,700           | 35,700         | 35,700            |   |
| Agent Fees   | 1,080            | 4,046          | 827               | 3,219   |
| Total Expenditures   | \$ 6,115,111     | \$ 6,225,688   | \$ 6,734,463      | \$ (508,775)  |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures | \$ (1,066,020)   | \$ (1,021,526) | \$ (1,667,322)    | \$ (645,796)  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                  |                |                   |   |
| Transfers In   | \$ 309,600       | \$ 309,600     | \$ 324,083        | \$ 14,483   |
| Transfers Out  | (50,000)         | (93,843)       | (131,254)         | (37,411)  |
| Lease Purchase Proceeds                                      |                  |                | 731,469           | 731,469   |
| Proceeds From Sale of Capital Assets                         |                  | 105,000        | 109,691           | 4,691   |
| Total Other Financing Sources (Uses)                         | \$ 259,600       | \$ 320,757     | \$ 1,033,989      | \$ 713,232  |
| <b>Net Change in Fund Balances</b>                           | \$ (806,420)     | \$ (700,769)   | \$ (633,333)      | \$ 67,436   |
| <b>Fund Balances - Beginning</b>                             | 4,563,328        | 4,563,328      | 4,563,328         |   |
| <b>Fund Balances - Ending</b>                                | \$ 3,756,908     | \$ 3,862,559   | \$ 3,929,995      | \$ 67,436   |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**ACCOMMODATIONS TAX FUND**  
**Year Ended June 30, 2011**

|  | Budgeted Amounts   |                    | Actual<br>Amounts  | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|---|
|  | Original           | Final              |                    |   |
| <b>REVENUES</b>  |                    |                    |                    |   |
| Intergovernmental  | \$ 410,000         | \$ 410,000         | \$ 449,355         | \$ 39,355   |
| Other  | 20,000             | 20,000             | 1,671              | (18,329)  |
| <b>Total Revenues</b>  | <u>\$ 430,000</u>  | <u>\$ 430,000</u>  | <u>\$ 451,026</u>  | <u>\$ 21,026</u>  |
| <b>EXPENDITURES</b>  |                    |                    |                    |   |
| Current:   |                    |                    |                    |   |
| Public Safety  | \$ 90,609          | \$ 92,609          | \$ 72,980          | \$ 19,629   |
| Grounds  | 13,876             | 13,876             | 11,638             | 2,238   |
| Street   | 38,780             | 44,780             | 33,876             | 10,904  |
| Culture and Recreation                                       | 68,859             | 68,859             | 41,934             | 26,925  |
| Non-Departmental   | 152,000            | 152,000            | 161,629            | (9,629)   |
| Capital Outlay   | 32,000             | 32,000             | 47,745             | (15,745)  |
| <b>Total Expenditures</b>                                    | <u>\$ 396,124</u>  | <u>\$ 404,124</u>  | <u>\$ 369,802</u>  | <u>\$ 34,322</u>  |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures | <u>\$ 33,876</u>   | <u>\$ 25,876</u>   | <u>\$ 81,224</u>   | <u>\$ 55,348</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                    |                    |                    |   |
| Transfers In   | \$ 25,000          | \$ 25,000          | \$ 25,000          | \$  |
| Transfers Out  | (44,250)           | (44,250)           | (46,218)           | (1,968)   |
| Proceeds From Sale of Capital Assets                         |                    |                    | 7,826              | 7,826   |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>\$ (19,250)</u> | <u>\$ (19,250)</u> | <u>\$ (13,392)</u> | <u>\$ 5,858</u>   |
| <b>Net Change in Fund Balances</b>                           | \$ 14,626          | \$ 6,626           | \$ 67,832          | \$ 61,206   |
| <b>Fund Balances - Beginning</b>                             | <u>15,721</u>      | <u>15,721</u>      | <u>15,721</u>      | <u></u>   |
| <b>Fund Balances - Ending</b>                                | <u>\$ 30,347</u>   | <u>\$ 22,347</u>   | <u>\$ 83,553</u>   | <u>\$ 61,206</u>  |



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**HOSPITALITY FUND**  
**Year Ended June 30, 2011**

|  | Budgeted Amounts   |                   | Actual<br>Amounts | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|-------------------|-------------------|---|
|  | Original           | Final             |                   |   |
| <b>REVENUES</b>  |                    |                   |                   |   |
| Hospitality Fees   | \$ 575,000         | \$ 575,000        | \$ 654,897        | \$ 79,897   |
| Intergovernmental  | 40,000             | 45,708            | 11,932            | (33,776)  |
| Other  | 125,000            | 126,040           | 128,054           | 2,014   |
| <b>Total Revenues</b>  | <u>\$ 740,000</u>  | <u>\$ 746,748</u> | <u>\$ 794,883</u> | <u>\$ 48,135</u>  |
| <b>EXPENDITURES</b>  |                    |                   |                   |   |
| Current:   |                    |                   |                   |   |
| General Government   | \$ 5,405           | \$ 5,405          | \$ 1,726          | \$ 3,679  |
| Public Safety  | 112,449            | 112,449           | 140,292           | (27,843)  |
| Grounds  | 15,000             | 15,000            | 10,994            | 4,006   |
| Culture and Recreation                                       | 125,260            | 125,260           | 14,323            | 110,937   |
| Capital Outlay   | 320,000            | 329,186           | 349,797           | (20,611)  |
| <b>Total Expenditures</b>                                    | <u>\$ 578,114</u>  | <u>\$ 587,300</u> | <u>\$ 517,132</u> | <u>\$ 70,168</u>  |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures | <u>\$ 161,886</u>  | <u>\$ 159,448</u> | <u>\$ 277,751</u> | <u>\$ 118,303</u>                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                    |                   |                   |   |
| Transfers In   | \$ 50,000          | \$ 93,693         | \$ 92,441         | \$ (1,252)  |
| Transfers Out  | (60,000)           | (60,000)          | (60,000)          |   |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>\$ (10,000)</u> | <u>\$ 33,693</u>  | <u>\$ 32,441</u>  | <u>\$ (1,252)</u>                                       |
| <b>Net Change in Fund Balances</b>                           | \$ 151,886         | \$ 193,141        | \$ 310,192        | \$ 117,051  |
| <b>Fund Balances - Beginning</b>                             | <u>189,954</u>     | <u>189,954</u>    | <u>189,954</u>    |   |
| <b>Fund Balances - Ending</b>                                | <u>\$ 341,840</u>  | <u>\$ 383,095</u> | <u>\$ 500,146</u> | <u>\$ 117,051</u>                                       |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**LOCAL ACCOMMODATIONS TAX FUND**  
**Year Ended June 30, 2011**

|                                    | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|------------------------------------|-------------------------|-------------------|---------------------------|---|
|                                    | <u>Original</u>         | <u>Final</u>      |                           |   |
| <b>REVENUES</b>                    |                         |                   |                           |   |
| Local Accommodations Taxes         | \$ 130,000              | \$ 130,000        | \$ 138,892                | \$ 8,892  |
| Other                              |                         |                   | 58                        | 58  |
| <b>Total Revenues</b>              | <u>\$ 130,000</u>       | <u>\$ 130,000</u> | <u>\$ 138,950</u>         | <u>\$ 8,950</u>   |
| <b>OTHER FINANCING (USES)</b>      |                         |                   |                           |   |
| Transfers Out                      | \$ (130,000)            | \$ (130,000)      | \$ (146,497)              | \$ (16,497)   |
| <b>Net Change in Fund Balances</b> | \$                      | \$                | \$ (7,547)                | \$ (7,547)  |
| <b>Fund Balances - Beginning</b>   | <u>7,605</u>            | <u>7,605</u>      | <u>7,605</u>              |   |
| <b>Fund Balances - Ending</b>      | <u>\$ 7,605</u>         | <u>\$ 7,605</u>   | <u>\$ 58</u>              | <u>\$ (7,547)</u>   |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2011**

**Note 1 - BUDGETS AND BUDGETARY ACCOUNTING**

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

1. Prior to June 1<sup>st</sup>, the Town Administrator submits to Town Council a proposed operating budget for the fiscal year commencing July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to June 30<sup>th</sup>, the budget is legally enacted through passage of an ordinance.
4. The Town Administrator is authorized to transfer budgeted amounts between departments within any fund; however, revisions that alter the total expenditures of any fund must be approved by Town Council. Thus, the legal level of control is at the fund level.
5. The Town employs formal budgetary integration as a management control device and generally adopts an annual appropriated budget for all funds other than fiduciary funds. The budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Appropriations lapse at the end of each fiscal year.

**Note 2 - SUPPLEMENTAL APPROPRIATIONS**

The legal level of budget control is at the fund level. Thus, expenditures may not legally exceed appropriations, including supplemental appropriations, for an individual fund. For the year ended June 30, 2011, expenditures exceeded appropriations by \$508,775 in the Town's general fund. This excess is the result of the purchase of a fire truck with lease purchase proceeds which, for accounting purposes must be included in capital outlay, but was not budgeted by the Town. None of the Town's other individual funds reported an excess of expenditures over appropriations for the year ended June 30, 2011. These funds are presented as required supplementary information. Supplemental funds were appropriated for expenditures during the year ended June 30, 2011 as follows:

|                         |    |         |
|-------------------------|----|---------|
| General Fund            | \$ | 110,577 |
| Accommodations Tax Fund | \$ | 8,000   |
| Hospitality Fund        | \$ | 9,186   |

**Note 3 - PRESENTATION**

The budgetary comparison schedule presents the general fund and each major individual special revenue fund for which an annual budget is legally adopted. The Seized Drug Fund is reported as a non-major special revenue fund and does not have a legally adopted budget; therefore, it has been excluded from the budgetary comparison presentation.

## **INDIVIDUAL FUND STATEMENT**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIREMEN'S FUND**  
**Year Ended June 30, 2011**

|                              | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
|------------------------------|------------------------------|------------------|-------------------|---------------------------|
| <b>ASSETS</b>                |                              |                  |                   |                           |
| Cash and Cash Equivalents    | \$ <u>155,690</u>            | \$ <u>51,796</u> | \$ <u>171,431</u> | \$ <u>36,055</u>          |
| <b>LIABILITIES</b>           |                              |                  |                   |                           |
| Due to Firemen's Association | \$ <u>155,690</u>            | \$ <u>51,796</u> | \$ <u>171,431</u> | \$ <u>36,055</u>          |

**OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**Year Ended June 30, 2011**

|                                    | <u>Budgeted Amounts</u> |                          | <u>Actual<br/>Amounts</u> | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|------------------------------------|-------------------------|--------------------------|---------------------------|---|
|                                    | <u>Original</u>         | <u>Final</u>             |                           |   |
| <b>REVENUES</b>                    |                         |                          |                           |   |
| Property Taxes                     | \$ 250,000              | \$ 250,000               | \$ 289,620                | \$ 39,620   |
| Intergovernmental                  | 70,000                  | 70,000                   |                           | (70,000)  |
| Other                              |                         |                          | 1,008                     | 1,008   |
| <b>Total Revenues</b>              | <u>\$ 320,000</u>       | <u>\$ 320,000</u>        | <u>\$ 290,628</u>         | <u>\$ (29,372)</u>                                      |
| <b>EXPENDITURES</b>                |                         |                          |                           |   |
| Current:                           |                         |                          |                           |   |
| Grounds                            | \$ 22,500               | \$ 23,804                | \$ 21,775                 | \$ 2,029  |
| Street                             | 37,500                  | 41,510                   | 42,807                    | (1,297)   |
| Capital Outlay                     | 315,000                 | 210,000                  | 105,905                   | 104,095   |
| <b>Total Expenditures</b>          | <u>\$ 375,000</u>       | <u>\$ 275,314</u>        | <u>\$ 170,487</u>         | <u>\$ 104,827</u>                                       |
| <b>Net Change in Fund Balances</b> | \$ (55,000)             | \$ 44,686                | \$ 120,141                | \$ 75,455   |
| <b>Fund Balances - Beginning</b>   | <u>138,635</u>          | <u>138,635</u>           | <u>138,635</u>            |   |
| <b>Fund Balances - Ending</b>      | <u><u>\$ 83,635</u></u> | <u><u>\$ 183,321</u></u> | <u><u>\$ 258,776</u></u>  | <u><u>\$ 75,455</u></u>                                 |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL**  
**SANITATION FUND**  
**Year Ended June 30, 2011**

|  | Budgeted Amounts           |                            | Actual<br>Amounts          | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------------|----------------------------|----------------------------|---|
|  | Original                   | Final                      |                            |   |
| <b>OPERATING REVENUES</b>              |                            |                            |                            |   |
| Charges for Services                   | \$ 1,170,100               | \$ 1,170,100               | \$ 1,103,958               | \$ (66,142)   |
| Total Revenues                         | <u>\$ 1,170,100</u>        | <u>\$ 1,170,100</u>        | <u>\$ 1,103,958</u>        | <u>\$ (66,142)</u>                                      |
| <b>OPERATING EXPENSES</b>              |                            |                            |                            |   |
| Personnel Service and Related Expenses | \$ 481,427                 | \$ 480,775                 | \$ 458,836                 | \$ 21,939   |
| Maintenance and Service Contracts      | 368,500                    | 368,500                    | 349,141                    | 19,359  |
| Materials and Supplies                 | 15,500                     | 15,500                     | 12,860                     | 2,640   |
| Repairs and Maintenance                | 2,000                      | 2,000                      | 1,533                      | 467   |
| Depreciation                           | 125,000                    | 125,000                    | 110,336                    | 14,664  |
| Other Operating Expenses               | 26,330                     | 26,830                     | 23,887                     | 2,943   |
| Total Operating Expenses               | <u>\$ 1,018,757</u>        | <u>\$ 1,018,605</u>        | <u>\$ 956,593</u>          | <u>\$ 62,012</u>  |
| Operating Income (Loss)                | <u>\$ 151,343</u>          | <u>\$ 151,495</u>          | <u>\$ 147,365</u>          | <u>\$ (4,130)</u>                                       |
| <b>NONOPERATING REVENUES</b>           |                            |                            |                            |   |
| Interest Earnings                      | \$                         | \$                         | \$ 2,528                   | \$ 2,528  |
| Gain (Loss) on Disposal of Assets      |                            |                            | 9,027                      | 9,027   |
| Total Nonoperating Revenues            | <u>\$</u>                  | <u>\$</u>                  | <u>\$ 11,555</u>           | <u>\$ 11,555</u>  |
| Income (Loss) Before Transfers         | \$ 151,343                 | \$ 151,495                 | \$ 158,920                 | \$ 7,425  |
| Transfers Out                          | <u>(73,500)</u>            | <u>(73,500)</u>            | <u>(70,198)</u>            | <u>3,302</u>  |
| <b>Change in Net Assets</b>            | <u>\$ 77,843</u>           | <u>\$ 77,995</u>           | <u>\$ 88,722</u>           | <u>\$ 10,727</u>  |
| <b>Total Net Assets - Beginning</b>    | <u>1,157,490</u>           | <u>1,157,490</u>           | <u>1,157,490</u>           | <u></u>   |
| <b>Total Net Assets - Ending</b>       | <u><u>\$ 1,235,333</u></u> | <u><u>\$ 1,235,485</u></u> | <u><u>\$ 1,246,212</u></u> | <u><u>\$ 10,727</u></u>                                 |



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL**  
**PIER FUND**  
**Year Ended June 30, 2011**

|   | <u>Budgeted Amounts</u>    |                            | <u>Actual</u><br>Amounts   | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------------------|----------------------------|----------------------------|---|
|   | <u>Original</u>            | <u>Final</u>               |                            |   |
| <b>OPERATING REVENUES</b>                 |                            |                            |                            |   |
| Charges for Services                      | \$ 350,000                 | \$ 338,053                 | \$ 323,092                 | \$ (14,961)   |
| Total Revenues                            | <u>\$ 350,000</u>          | <u>\$ 338,053</u>          | <u>\$ 323,092</u>          | <u>\$ (14,961)</u>                                      |
| <b>OPERATING EXPENSES</b>                 |                            |                            |                            |   |
| Personnel Service and Related Expenses    | \$ 17,626                  | \$ 20,100                  | \$ 16,826                  | \$ 3,274  |
| Materials and Supplies                    | 5,000                      | 5,000                      | 1,815                      | 3,185   |
| Repairs and Maintenance                   | 20,000                     | 30,000                     | 24,880                     | 5,120   |
| Depreciation                              | 50,000                     | 50,000                     | 56,796                     | (6,796)   |
| Other Operating Expenses                  | 7,500                      | 14,302                     | 16,657                     | (2,355)   |
| Total Operating Expenses                  | <u>\$ 100,126</u>          | <u>\$ 119,402</u>          | <u>\$ 116,974</u>          | <u>\$ 2,428</u>   |
| Operating Income (Loss)                   | <u>\$ 249,874</u>          | <u>\$ 218,651</u>          | <u>\$ 206,118</u>          | <u>\$ (12,533)</u>                                      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                            |                            |                            |   |
| Interest Earnings                         | \$                         | \$ 100                     | \$ 317                     | \$ 217  |
| Interest Expense                          | <u>(26,771)</u>            | <u>(26,771)</u>            | <u>(25,812)</u>            | <u>959</u>  |
| Total Nonoperating Revenues<br>(Expenses) | <u>\$ (26,771)</u>         | <u>\$ (26,671)</u>         | <u>\$ (25,495)</u>         | <u>\$ 1,176</u>   |
| Income (Loss) Before Transfers            | \$ 223,103                 | \$ 191,980                 | \$ 180,623                 | \$ (11,357)   |
| Transfers Out                             | <u>(27,500)</u>            | <u>(23,750)</u>            | <u>(26,170)</u>            | <u>(2,420)</u>  |
| Change in Net Assets                      | \$ 195,603                 | \$ 168,230                 | \$ 154,453                 | \$ (13,777)   |
| Total Net Assets - Beginning              | <u>1,112,114</u>           | <u>1,112,114</u>           | <u>1,112,114</u>           |   |
| Total Net Assets - Ending                 | <u><u>\$ 1,307,717</u></u> | <u><u>\$ 1,280,344</u></u> | <u><u>\$ 1,266,567</u></u> | <u><u>\$ (13,777)</u></u>                               |

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES**  
**Year Ended June 30, 2011**

**COURT FINES**

|   |            |
|---|------------|
| Court Fines Collected                       | \$ 119,085 |
| Court Fines Retained by Town                | (119,085)  |
| Court Fines Remitted to the State Treasurer | <u>\$</u>  |

**COURT ASSESSMENTS**

|   |                          |
|---|--------------------------|
| Court Assessments Collected                       | \$ 133,656               |
| Court Assessments Retained by Town                | (14,456)                 |
| Court Assessments Remitted to the State Treasurer | <u>\$</u> <u>119,200</u> |

**COURT SURCHARGES**

|  |                         |
|--|-------------------------|
| Court Surcharges Collected                       | \$ 39,759               |
| Court Surcharges Retained by Town                | (5,577)                 |
| Court Surcharges Remitted to the State Treasurer | <u>\$</u> <u>34,182</u> |

**COURT DPS PULLOUTS**

|  |                        |
|--|------------------------|
| Court DPS Pullouts Collected                       | \$ 6,102               |
| Court DPS Pullouts Retained by Town                |                        |
| Court DPS Pullouts Remitted to the State Treasurer | <u>\$</u> <u>6,102</u> |

**VICTIMS SERVICES**

|  |                         |
|--|-------------------------|
| Court Assessments Allocated to Victim Services | \$ 14,456               |
| Court Surcharges Allocated to Victim Services  | 5,577                   |
| Total Funds Allocated to Victim Services       | <u>\$</u> <u>20,033</u> |
| Victim Services Expenditures                   | (17,707)                |
| Prior Year Carryforward                        |                         |
| Funds Available for Carryforward               | <u>\$</u> <u>2,326</u>  |



# **STATISTICAL INFORMATION**

## STATISTICAL SECTION

This part of the Town of Surfside Beach's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| Financial Trends   |             |
| These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.  | 56-63       |
| Revenue Capacity   |             |
| These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.  | 64-67       |
| Debt Capacity  |             |
| These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.                    | 68-71       |
| Demographic and Economic Information   |             |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.   | 72-73       |
| Operating Information  |             |
| These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. | 74-76       |

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**NET ASSETS BY COMPONENT**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

|   | Fiscal Year   |               |               |               |               |               |              |              |      |      |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|------|------|
|   | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005         | 2004         | 2003 | 2002 |
| <b>Governmental activities</b>                  |               |               |               |               |               |               |              |              |      |      |
| Invested in capital assets, net of related debt | \$ 11,910,207 | \$ 10,932,103 | \$ 8,196,888  | \$ 6,919,553  | \$ 5,344,522  | \$ 4,046,028  | \$ 3,839,574 | \$ 2,138,699 | \$   | \$   |
| Restricted                                      | 882,459       | 406,066       | 1,867,568     | 2,093,153     | 1,536,378     | 1,558,229     | 1,431,687    | 1,813,481    |      |      |
| Unrestricted                                    | 3,790,465     | 4,394,241     | 4,227,369     | 5,006,855     | 5,618,178     | 5,139,727     | 3,769,262    | 3,234,283    |      |      |
| Total governmental activities net assets        | \$ 16,583,131 | \$ 15,732,410 | \$ 14,291,825 | \$ 14,019,561 | \$ 12,499,078 | \$ 10,743,984 | \$ 9,040,523 | \$ 7,186,463 | \$   | \$   |
| <b>Business-type activities</b>                 |               |               |               |               |               |               |              |              |      |      |
| Invested in capital assets, net of related debt | \$ 3,034,135  | \$ 3,078,498  | \$ 3,103,276  | \$ 724,808    | \$ 410,834    | \$ 352,927    | \$ 371,668   | \$ 304,001   | \$   | \$   |
| Unrestricted                                    | (604,759)     | (855,355)     | (1,263,645)   | 120,043       | 317,139       | 96,446        | 69,340       | 111,154      |      |      |
| Total business-type activities net assets       | \$ 2,429,376  | \$ 2,223,143  | \$ 1,839,631  | \$ 844,851    | \$ 727,973    | \$ 449,373    | \$ 441,008   | \$ 415,155   | \$   | \$   |
| <b>Primary Government</b>                       |               |               |               |               |               |               |              |              |      |      |
| Invested in capital assets, net of related debt | \$ 14,944,342 | \$ 14,010,601 | \$ 11,300,164 | \$ 7,644,361  | \$ 5,755,356  | \$ 4,398,955  | \$ 4,211,242 | \$ 2,442,700 | \$   | \$   |
| Restricted                                      | 882,459       | 406,066       | 1,867,568     | 2,093,153     | 1,536,378     | 1,558,229     | 1,431,687    | 1,813,481    |      |      |
| Unrestricted                                    | 3,185,706     | 3,538,886     | 2,963,724     | 5,126,898     | 5,935,317     | 5,236,173     | 3,838,602    | 3,345,437    |      |      |
| Total primary government activities net assets  | \$ 19,012,507 | \$ 17,955,553 | \$ 16,131,456 | \$ 14,864,412 | \$ 13,227,051 | \$ 11,193,357 | \$ 9,481,531 | \$ 7,601,618 | \$   | \$   |

Notes: The Town of Surfside Beach is retroactively reporting data back to the year of GASB 34 implementation, which was fiscal year ending 2004. Net asset information is not available prior to that fiscal year.

Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**CHANGES IN NET ASSETS  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

|   | Fiscal Year  |              |              |              |              |              |              |              |      |      |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|
|   | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         | 2004         | 2003 | 2002 |
| <b>Expenses</b>                                 |              |              |              |              |              |              |              |              |      |      |
| Governmental activities:                        |              |              |              |              |              |              |              |              |      |      |
| General Government                              | \$ 1,481,098 | \$ 1,936,037 | \$ 1,487,967 | \$ 1,372,244 | \$ 1,518,483 | \$ 1,093,556 | \$ 1,041,351 | \$ 1,120,580 | \$   | \$   |
| Public Safety                                   | 2,682,300    | 3,189,927    | 2,460,933    | 2,371,314    | 2,015,991    | 2,072,616    | 1,885,525    | 1,723,611    |      |      |
| Building and Zoning                             | 216,665      | 322,102      | 244,152      | 282,304      | 238,278      |              |              |              |      |      |
| Grounds   | 278,869      | 485,100      |              |              |              |              |              |              |      |      |
| Street  | 904,504      | 1,072,451    | 1,111,069    | 1,178,169    | 732,622      | 711,466      | 577,946      | 500,730      |      |      |
| Culture and Recreation                          | 399,827      | 476,660      | 558,936      | 483,391      | 479,222      | 398,886      | 418,413      | 424,559      |      |      |
| Interest and Fiscal Charges                     | 57,244       | 69,814       | 66,482       | 88,181       | 85,049       | 87,255       | 93,271       | 157,207      |      |      |
| Total governmental activities expense           | 6,020,507    | 7,552,091    | 5,929,539    | 5,775,603    | 5,069,645    | 4,365,779    | 4,016,506    | 3,926,687    |      |      |
| Business-type activities:                       |              |              |              |              |              |              |              |              |      |      |
| Sanitation                                      | 993,335      | 1,228,154    | 962,936      | 1,072,194    | 929,637      | 915,909      | 858,613      | 818,329      |      |      |
| Pier  | 142,786      | 183,658      | 107,370      |              |              |              |              |              |      |      |
| Total business-type activities                  | 1,136,321    | 1,411,812    | 1,070,306    | 1,072,194    | 929,637      | 915,909      | 858,613      | 818,329      |      |      |
| Total primary government expenses               | \$ 7,156,828 | \$ 8,963,903 | \$ 6,999,845 | \$ 6,847,797 | \$ 5,999,282 | \$ 5,281,688 | \$ 4,875,119 | \$ 4,745,016 | \$   | \$   |
| <b>Program Revenues</b>                         |              |              |              |              |              |              |              |              |      |      |
| Governmental activities:                        |              |              |              |              |              |              |              |              |      |      |
| Charges for services:                           |              |              |              |              |              |              |              |              |      |      |
| General Government                              | \$ 131,404   | \$ 165,942   | \$ 126,601   | \$ 153,714   | \$ 95,322    | \$ 104,791   | \$ 94,636    | \$ 91,525    | \$   | \$   |
| Public Safety                                   | 249,878      | 337,573      | 311,218      | 273,900      | 223,656      | 511,478      | 402,749      | 338,202      |      |      |
| Building and Zoning                             | 113,222      | 177,453      | 130,110      | 160,393      | 271,658      |              |              |              |      |      |
| Culture and Recreation                          | 69,045       | 60,815       | 52,928       | 53,763       | 59,487       | 54,251       | 62,254       | 68,337       |      |      |
| Operating Grants and Contributions              | 159,946      | 207,765      | 212,262      | 69,271       | 83,425       | 52,633       | 70,524       | 33,263       |      |      |
| Capital Grants and Contributions                | 243,738      | 303,818      | 197,101      | 298,645      | 94,350       | 75,959       | 413,238      | 409,324      |      |      |
| Total governmental activities program revenues  | 967,233      | 1,253,366    | 1,030,220    | 1,009,686    | 827,898      | 799,112      | 1,043,401    | 940,651      |      |      |
| Business-type activities:                       |              |              |              |              |              |              |              |              |      |      |
| Charges for Services                            | 1,103,958    | 1,409,891    | 1,148,643    | 1,164,391    | 1,141,924    | 925,145      | 865,325      | 802,599      |      |      |
| Sanitation                                      | 323,092      | 447,731      | 85,314       |              |              |              |              |              |      |      |
| Pier  |              |              |              |              |              |              |              |              |      |      |
| Operating Grants and Contributions              |              |              |              |              |              |              | 17,405       |              |      |      |
| Total business-type activities program revenues | 1,427,050    | 1,857,622    | 1,233,957    | 1,164,391    | 1,141,924    | 925,145      | 882,730      | 802,599      |      |      |
| Total primary government revenues               | \$ 2,394,283 | \$ 3,110,988 | \$ 2,264,177 | \$ 2,174,077 | \$ 1,969,822 | \$ 1,724,257 | \$ 1,926,131 | \$ 1,743,250 | \$   | \$   |

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**CHANGES IN NET ASSETS**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

|   | Fiscal Year         |                     |                     |                     |                     |                     |                     |                     |           |           |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------|-----------|
|   | 2011                | 2010                | 2009                | 2008                | 2007                | 2006                | 2005                | 2004                | 2003      | 2002      |
| Net (expense) revenue                     | \$ (5,053,274)      | \$ (6,298,725)      | \$ (4,899,319)      | \$ (4,765,917)      | \$ (4,241,747)      | \$ (3,566,667)      | \$ (2,973,105)      | \$ (2,986,036)      | \$        | \$        |
| Governmental activities                   | 290,729             | 445,810             | 163,651             | 92,197              | 212,287             | 9,236               | 24,117              | (15,730)            |           |           |
| Business-type activities                  | <u>(4,762,545)</u>  | <u>(5,852,915)</u>  | <u>(4,735,668)</u>  | <u>(4,673,720)</u>  | <u>(4,029,460)</u>  | <u>(3,557,431)</u>  | <u>(2,948,988)</u>  | <u>(3,001,766)</u>  | <u>\$</u> | <u>\$</u> |
| Total primary government net expense      |                     |                     |                     |                     |                     |                     |                     |                     |           |           |
| <b>General Revenues and Other Changes</b> |                     |                     |                     |                     |                     |                     |                     |                     |           |           |
| <b>in Net Assets</b>                      |                     |                     |                     |                     |                     |                     |                     |                     |           |           |
| Governmental activities                   |                     |                     |                     |                     |                     |                     |                     |                     |           |           |
| Property taxes                            | \$ 2,392,569        | \$ 2,437,909        | \$ 2,316,688        | \$ 2,208,501        | \$ 2,146,666        | \$ 2,088,116        | \$ 1,979,199        | \$ 1,919,558        | \$        | \$        |
| Local Accommodations Taxes                | 138,892             | 159,761             | 139,549             | 146,587             | 136,914             | 116,393             | 106,475             | 97,211              |           |           |
| Business Licenses Taxes                   | 1,384,337           | 2,628,551           | 1,455,823           | 1,548,915           | 1,331,700           | 1,192,406           | 1,018,750           | 944,899             |           |           |
| Franchise Taxes                           | 577,845             | 745,808             | 526,406             | 518,911             | 496,568             | 469,622             | 446,194             | 463,956             |           |           |
| Hospitality Fees                          | 654,897             | 804,000             | 669,304             | 721,269             | 674,718             | 615,341             | 588,603             | 560,257             |           |           |
| Unrestricted Grants and Contributions     | 618,106             | 811,567             | 759,823             | 759,845             | 686,736             | 617,989             | 586,771             | 544,689             |           |           |
| Investment Earnings                       | 38,327              | 53,572              | 122,639             | 357,720             | 373,855             | 209,305             | 82,684              | 65,317              |           |           |
| Gain on Disposal of Capital Assets        |                     |                     | 6,717               |                     | 29,494              | 7,551               | 8,489               |                     |           |           |
| Other General Revenues                    | 2,654               | 9,397               | 4,634               | 4,652               | 63,542              |                     |                     |                     |           |           |
| Transfers                                 | 96,368              | 62,500              | (830,000)           | 20,000              | 16,648              | 9,618               | 10,000              | 10,000              |           |           |
| Total governmental activities             | <u>5,903,995</u>    | <u>7,713,065</u>    | <u>5,171,583</u>    | <u>6,286,400</u>    | <u>5,956,841</u>    | <u>5,326,341</u>    | <u>4,827,165</u>    | <u>4,605,887</u>    | <u>\$</u> | <u>\$</u> |
| Business-type activities                  |                     |                     |                     |                     |                     |                     |                     |                     |           |           |
| Investment Earnings                       | 2,845               | 202                 | 541                 | 6,929               | 7,286               | 2,567               | 625                 | 956                 |           |           |
| Gain on Disposal of Capital Assets        | 9,027               |                     | 588                 | 37,752              | 75,675              | 11,820              | 11,111              |                     |           |           |
| Transfers                                 | (96,368)            | (62,500)            | 830,000             | (20,000)            | (16,648)            | (9,618)             | (10,000)            | (10,000)            |           |           |
| Total business-type activities            | <u>(84,496)</u>     | <u>(62,298)</u>     | <u>831,129</u>      | <u>24,681</u>       | <u>66,313</u>       | <u>4,769</u>        | <u>1,736</u>        | <u>(9,044)</u>      | <u>\$</u> | <u>\$</u> |
| Total primary government                  | <u>\$ 5,819,499</u> | <u>\$ 7,650,767</u> | <u>\$ 6,002,712</u> | <u>\$ 6,311,081</u> | <u>\$ 6,023,154</u> | <u>\$ 5,331,110</u> | <u>\$ 4,828,901</u> | <u>\$ 4,596,843</u> | <u>\$</u> | <u>\$</u> |
| <b>Changes in Net Assets</b>              |                     |                     |                     |                     |                     |                     |                     |                     |           |           |
| Governmental activities                   | \$ 850,721          | \$ 1,414,340        | \$ 272,264          | \$ 1,520,483        | \$ 1,715,094        | \$ 1,759,674        | \$ 1,854,060        | \$ 1,619,851        | \$        | \$        |
| Business-type activities                  | 206,233             | 383,512             | 994,780             | 116,878             | 278,600             | 14,005              | 25,853              | (24,774)            |           |           |
| Total primary government                  | <u>\$ 1,056,954</u> | <u>\$ 1,797,852</u> | <u>\$ 1,267,044</u> | <u>\$ 1,637,361</u> | <u>\$ 1,993,694</u> | <u>\$ 1,773,679</u> | <u>\$ 1,879,913</u> | <u>\$ 1,595,077</u> | <u>\$</u> | <u>\$</u> |

Notes: (1) The Town of Surfside Beach is retroactively reporting data back to the year of GASB Statement 34 implementation, which was fiscal year ending 2004. Information on the changes in net assets is not available prior to that fiscal year.  
(2) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.  
(3) Grounds department was not separately presented prior to fiscal period 2010. Building and Zoning was not separately budgeted and presented prior to fiscal year 2007.

**UNAUDITED**



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

| Fiscal<br>Year | Property<br>Taxes | Local<br>Accommodations<br>Taxes | Business<br>Licenses<br>Taxes | Franchise<br>Taxes | Hospitality<br>Fees | Total     |
|----------------|-------------------|----------------------------------|-------------------------------|--------------------|---------------------|-----------|
| 2002           | \$                | \$                               | \$                            | \$                 | \$                  | \$        |
| 2003           |                   |                                  |                               |                    |                     |           |
| 2004           | 1,919,558         | 97,211                           | 944,899                       | 463,956            | 560,257             | 3,985,881 |
| 2005           | 1,979,199         | 106,475                          | 1,018,750                     | 446,194            | 588,603             | 4,139,221 |
| 2006           | 2,088,116         | 116,393                          | 1,192,406                     | 469,622            | 615,341             | 4,481,878 |
| 2007           | 2,146,666         | 136,914                          | 1,331,700                     | 496,568            | 674,718             | 4,786,566 |
| 2008           | 2,208,501         | 146,587                          | 1,548,915                     | 518,911            | 721,269             | 5,144,183 |
| 2009           | 2,316,688         | 139,549                          | 1,455,823                     | 526,406            | 669,304             | 5,107,770 |
| 2010           | 2,437,909         | 159,761                          | 2,628,551                     | 745,808            | 804,000             | 6,776,029 |
| 2011           | 2,392,569         | 138,892                          | 1,384,337                     | 577,845            | 654,897             | 5,148,540 |

Notes: The Town of Surfside Beach is retroactively reporting data back to the year of GASB Statement 34 implementation, which was fiscal year ending 2004. Information on the collection of taxes by full accrual accounting is not available prior to that fiscal year.

Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.

**UNAUDITED**

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

|   | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         | 2004         | 2003         | 2002         |
| General Fund                            |              |              |              |              |              |              |              |              |              |              |
| Nonspendable                            | \$ 1,404,264 | \$           | \$           | \$           | \$           | \$           | \$           | \$           | \$           | \$           |
| Restricted                              | 453,759      |              |              |              |              |              |              |              |              |              |
| Committed                               | 399,930      |              |              |              |              |              |              |              |              |              |
| Unassigned                              | 1,672,042    |              |              |              |              |              |              |              |              |              |
| Reserved                                |              | 1,356,711    | 1,546,373    | 91,008       | 93,072       | 75,261       | 33,315       | 35,182       | 32,645       | 30,828       |
| Unreserved - designated                 |              | 1,633,961    | 1,650,115    | 1,680,447    | 1,865,981    | 2,279,217    | 2,084,519    | 2,033,345    | 1,934,368    | 1,785,327    |
| Unreserved - undesignated               |              | 1,572,656    | 1,142,666    | 2,751,641    | 2,451,112    | 1,901,664    | 1,394,656    | 942,261      | 1,260,260    | 974,821      |
| Total General Fund                      | \$ 3,929,995 | \$ 4,563,328 | \$ 4,339,154 | \$ 4,523,096 | \$ 4,410,165 | \$ 4,256,142 | \$ 3,512,490 | \$ 3,010,788 | \$ 3,227,273 | \$ 2,790,976 |
| All Other Governmental Funds            |              |              |              |              |              |              |              |              |              |              |
| Nonspendable                            | \$ 17,716    | \$           | \$           | \$           | \$           | \$           | \$           | \$           | \$           | \$           |
| Restricted                              | 378,058      |              |              |              |              |              |              |              |              |              |
| Committed                               | 258,776      |              |              |              |              |              |              |              |              |              |
| Assigned                                | 218,982      |              |              |              |              |              |              |              |              |              |
| Reserved, reported in:                  |              |              |              |              |              |              |              |              |              |              |
| Special Revenue Funds                   |              | 12,500       |              |              |              |              |              |              |              |              |
| Unreserved - designated, reported in:   |              |              |              |              |              |              |              |              |              |              |
| Special Revenue Funds                   |              | 189,954      | 222,124      | 804,042      | 806,388      | 867,860      | 797,982      | 731,586      | 685,190      | 620,268      |
| Capital Projects Fund                   |              | 138,635      | 3,452        | 508,918      | 1,427,988    | 869,854      | 274,872      | 249,670      |              |              |
| Unreserved - undesignated, reported in: |              |              |              |              |              |              |              |              |              |              |
| Special Revenue Funds                   |              | 10,826       | 1,616,882    | 1,274,687    | 720,641      | 685,407      | 633,705      | 1,081,895    | 801,547      | 597,352      |
| Total All Other Governmental Funds      | \$ 873,532   | \$ 351,915   | \$ 1,842,458 | \$ 2,587,647 | \$ 2,955,017 | \$ 2,423,121 | \$ 1,706,559 | \$ 2,063,151 | \$ 1,486,737 | \$ 1,217,620 |

Note: Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.

The Town implemented GASB 54 during the year ended June 30, 2011 which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Information prior to 2011 has not been restated.

UNAUDITED

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

|  | Fiscal Year      |                   |                  |                  |                  |                  |                  |                  |                  |                  |
|--|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2011             | 2010              | 2009             | 2008             | 2007             | 2006             | 2005             | 2004             | 2003             | 2002             |
| <b>Revenues</b>  |                  |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Property Taxes   | \$ 2,366,075     | \$ 2,492,969      | \$ 2,303,879     | \$ 2,201,127     | \$ 2,138,888     | \$ 2,089,430     | \$ 1,977,665     | \$ 1,904,727     | \$ 1,549,091     | \$ 1,503,677     |
| Franchise Taxes  | 577,845          | 745,808           | 526,406          | 518,911          | 496,568          | 469,622          | 446,194          | 463,956          | 411,069          | 404,842          |
| Hospitality Taxes  | 654,897          | 804,000           | 669,304          | 721,269          | 674,718          | 615,341          | 588,603          | 560,257          | 523,223          | 498,807          |
| Local Accommodations Taxes                                   | 138,892          | 159,761           | 139,549          | 146,587          | 136,914          | 116,393          | 106,475          | 97,211           | 70,790           |                  |
| Licenses and Permits   | 1,500,594        | 2,808,169         | 1,574,633        | 1,701,548        | 1,603,205        | 1,538,253        | 1,308,524        | 1,152,481        | 1,078,292        | 1,046,050        |
| Fines and Forfeitures  | 232,464          | 274,998           | 263,399          | 235,078          | 200,389          | 143,450          | 112,289          | 120,975          | 157,129          | 211,580          |
| Intergovernmental  | 1,011,326        | 1,300,921         | 1,176,874        | 1,087,759        | 846,261          | 733,381          | 1,061,879        | 902,418          | 661,115          | 655,736          |
| Other  | 266,273          | 362,411           | 383,701          | 634,161          | 639,085          | 406,158          | 248,914          | 238,482          | 165,711          | 159,493          |
| <b>Total Revenues</b>  | <b>6,748,366</b> | <b>8,949,037</b>  | <b>7,037,745</b> | <b>7,246,440</b> | <b>6,736,028</b> | <b>6,112,028</b> | <b>5,850,543</b> | <b>5,440,507</b> | <b>4,616,420</b> | <b>4,480,185</b> |
| <b>Expenditures</b>  |                  |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| General Government   | 962,978          | 1,355,349         | 1,002,468        | 806,707          | 800,304          | 698,260          | 665,268          | 604,629          | 536,936          | 520,647          |
| Public Safety  | 2,377,915        | 2,915,763         | 2,259,819        | 2,155,183        | 1,810,943        | 1,916,226        | 1,714,933        | 1,574,263        | 1,371,654        | 1,346,274        |
| Building and Zoning  | 214,470          | 318,462           | 239,729          | 273,739          | 231,620          |                  |                  |                  |                  |                  |
| Grounds  | 260,442          | 465,993           |                  |                  |                  |                  |                  |                  |                  |                  |
| Street   | 724,004          | 861,717           | 969,183          | 967,011          | 647,018          | 582,603          | 464,442          | 451,789          | 543,656          | 448,451          |
| Intragovernmental Maintenance                                | 92,047           | 97,548            | 78,084           | 85,651           | 83,768           | 106,545          | 78,784           | 83,011           | 70,630           | 120,176          |
| Culture and Recreation                                       | 363,725          | 430,820           | 512,760          | 437,305          | 447,773          | 362,944          | 387,278          | 409,503          | 369,884          | 333,865          |
| Non-Departmental   | 258,792          | 320,706           | 284,405          | 479,198          | 599,589          | 331,733          | 313,716          | 359,923          | 448,982          | 402,180          |
| Capital Outlay   | 2,139,536        | 3,103,565         | 1,394,126        | 1,693,092        | 1,110,855        | 281,261          | 1,719,032        | 1,196,761        | 304,923          | 288,444          |
| Debt Service:  |                  |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Principal  | 375,000          | 370,000           | 345,000          | 562,789          | 320,000          | 310,000          | 300,000          | 346,347          | 255,000          | 245,000          |
| Interest   | 35,700           | 45,875            | 54,500           | 79,961           | 69,150           | 73,350           | 88,129           | 75,698           | 174,179          | 185,204          |
| Agent Fees   | 827              | 1,310             | 1,060            | 1,060            | 998              | 780              | 780              | 540              | 1,027            | 976              |
| <b>Total Expenditures</b>                                    | <b>7,805,436</b> | <b>10,287,108</b> | <b>7,141,134</b> | <b>7,541,696</b> | <b>6,122,018</b> | <b>4,663,702</b> | <b>5,732,362</b> | <b>5,102,464</b> | <b>4,076,871</b> | <b>3,891,217</b> |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (1,057,070)      | (1,338,071)       | (103,389)        | (295,256)        | 614,010          | 1,448,326        | 118,181          | 338,043          | 539,549          | 588,968          |

**UNAUDITED**

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

|   | Fiscal Year  |                |              |              |            |              |             |             |            |            |
|---|--------------|----------------|--------------|--------------|------------|--------------|-------------|-------------|------------|------------|
|   | 2011         | 2010           | 2009         | 2008         | 2007       | 2006         | 2005        | 2004        | 2003       | 2002       |
| <b>Other Financing Sources (Uses)</b>                   |              |                |              |              |            |              |             |             |            |            |
| Transfers In  | 480,337      | 355,941        | 431,146      | 299,861      | 639,976    | 691,133      | 1,208,199   | 1,064,446   | 174,395    | 98,081     |
| Transfers Out   | (383,969)    | (293,441)      | (1,261,146)  | (279,861)    | (619,976)  | (681,133)    | (1,198,199) | (1,054,446) | (164,395)  | (98,081)   |
| Lease Purchase Proceeds                                 | 731,469      |                |              |              |            |              |             |             |            |            |
| Proceeds Sale of Capital Assets                         | 117,517      | 9,202          | 4,258        | 20,817       | 11,909     | 5,487        | 16,929      |             | 78,939     | 11,909     |
| Total Financing Sources (Uses)                          | 945,354      | 71,702         | (825,742)    | 40,817       | 31,909     | 15,487       | 26,929      | 10,000      | 88,939     | 11,909     |
| Net Change in Fund Balances                             | \$ (111,716) | \$ (1,266,369) | \$ (929,131) | \$ (254,439) | \$ 645,919 | \$ 1,463,813 | \$ 145,110  | \$ 348,043  | \$ 628,488 | \$ 600,877 |
| Debt Service as a Percentage of Noncapital Expenditures | 7.26%        | 5.81%          | 6.97%        | 11.07%       | 7.78%      | 8.82%        | 9.69%       | 10.82%      | 11.41%     | 11.97%     |

Notes: (1) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.

(2) Grounds department was not separately presented prior to fiscal period 2010. Building and Zoning was not separately budgeted and presented prior to fiscal year 2007.

UNAUDITED

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

| Fiscal<br>Year | Property<br>Taxes | Local<br>Accommodations<br>Taxes | Business<br>Licenses<br>Taxes | Franchise<br>Taxes | Hospitality<br>Fees | Total        |
|----------------|-------------------|----------------------------------|-------------------------------|--------------------|---------------------|--------------|
| 2002           | \$ 1,503,677      | \$                               | \$ 1,046,050                  | \$ 404,842         | \$ 498,807          | \$ 3,453,376 |
| 2003           | 1,549,091         | 70,790                           | 1,078,292                     | 411,069            | 523,223             | 3,632,465    |
| 2004           | 1,904,727         | 97,211                           | 944,899                       | 463,956            | 560,257             | 3,971,050    |
| 2005           | 1,977,665         | 106,475                          | 1,018,750                     | 446,194            | 588,603             | 4,137,687    |
| 2006           | 2,089,430         | 116,393                          | 1,192,406                     | 469,622            | 615,341             | 4,483,192    |
| 2007           | 2,138,888         | 136,914                          | 1,331,700                     | 496,568            | 674,718             | 4,778,788    |
| 2008           | 2,201,127         | 146,587                          | 1,548,915                     | 518,911            | 721,269             | 5,136,809    |
| 2009           | 2,303,879         | 139,549                          | 1,455,823                     | 526,406            | 669,304             | 5,094,961    |
| 2010           | 2,492,969         | 159,761                          | 2,628,551                     | 745,808            | 804,000             | 6,831,089    |
| 2011           | 2,366,075         | 138,892                          | 1,384,337                     | 577,845            | 654,897             | 5,122,046    |

Note: Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

| Fiscal Year End | Tax Year | Real Property Assessed Value | Personal Property Assessed Value | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Tax Millage | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|-----------------|----------|------------------------------|----------------------------------|--------------------------------|------------------------------|-------------|--------------------------------|--|
| 3/31/02         | 2001     | \$ 29,724,208                | \$ 5,011,066                     | \$ 563,586                     | \$ 34,171,688                | 44.0        | \$ 578,513,867                 | 5.91%  |
| 3/31/03         | 2002     | 30,177,455                   | 4,357,129                        | 566,862                        | 33,967,722                   | 44.0        | 585,987,222                    | 5.80%  |
| 3/31/04         | 2003     | 30,751,725                   | 4,649,722                        | 586,434                        | 34,815,013                   | 55.0        | 600,801,524                    | 5.79%  |
| 3/31/05         | 2004     | 32,130,479                   | 4,850,437                        | 577,570                        | 36,403,346                   | 55.0        | 627,652,298                    | 5.80%  |
| 3/31/06         | 2005     | 42,282,679                   | 4,783,074                        | 564,764                        | 46,500,989                   | 44.0        | 814,836,264                    | 5.71%  |
| 3/31/07         | 2006     | 43,396,201                   | 5,254,120                        | 573,840                        | 48,076,481                   | 44.0        | 840,608,661                    | 5.72%  |
| 3/31/08         | 2007     | 44,678,414                   | 5,134,590                        | 585,990                        | 49,227,014                   | 44.0        | 862,011,196                    | 5.71%  |
| 3/31/09         | 2008     | 48,963,006                   | 4,770,448                        | 857,314                        | 52,876,140                   | 44.0        | 933,969,993                    | 5.66%  |
| 6/30/10         | 2009     | 50,572,855                   | 4,355,394                        | 864,733                        | 54,063,516                   | 44.0        | 957,529,121                    | 5.65%  |
| 6/30/11         | 2010     | 55,418,462                   | 4,400,570                        | 996,779                        | 58,822,253                   | 40.0        | 1,044,622,518                  | 5.63%  |

The above data was provided by the Horry County Tax Assessor and the Horry County Auditor.

Note: Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th.

(1) Tax years 2005 and 2010 were Horry County Property Tax Reassessment years.

**UNAUDITED**

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
Last Ten Fiscal Years

| Tax Year | Town of Surfside Beach |                      |                    | County            |                      |                      | Overlapping Rates |                      |                               | Total Direct & Overlapping Rates |
|----------|------------------------|----------------------|--------------------|-------------------|----------------------|----------------------|-------------------|----------------------|-------------------------------|----------------------------------|
|          | Operating Millage      | Debt Service Millage | Total Town Millage | Operating Millage | Debt Service Millage | Total County Millage | Operating Millage | Debt Service Millage | Total School District Millage |                                  |
|          |                        |                      |                    |                   |                      |                      |                   |                      |                               |                                  |
| 2001     | 44.0                   | 44.0                 | 44.0               | 43.9              | 7.0                  | 50.9                 | 102.9             | 22.0                 | 124.9                         | 219.8                            |
| 2002     | 44.0                   | 44.0                 | 44.0               | 43.9              | 7.0                  | 50.9                 | 102.9             | 22.0                 | 124.9                         | 219.8                            |
| 2003     | 55.0                   | 55.0                 | 55.0               | 44.7              | 6.2                  | 50.9                 | 108.4             | 22.0                 | 130.4                         | 236.3                            |
| 2004     | 55.0                   | 55.0                 | 55.0               | 44.7              | 6.2                  | 50.9                 | 108.4             | 22.0                 | 130.4                         | 236.3                            |
| 2005     | 44.0                   | 44.0                 | 44.0               | 41.0              | 5.3                  | 46.3                 | 101.7             | 28.0                 | 129.7                         | 220.0                            |
| 2006     | 44.0                   | 44.0                 | 44.0               | 41.0              | 5.3                  | 46.3                 | 107.3             | 28.0                 | 135.3                         | 225.6                            |
| 2007     | 44.0                   | 44.0                 | 44.0               | 42.0              | 5.3                  | 47.3                 | 115.3             | 28.0                 | 143.3                         | 234.6                            |
| 2008     | 44.0                   | 44.0                 | 44.0               | 42.0              | 5.3                  | 47.3                 | 115.3             | 28.0                 | 143.3                         | 234.6                            |
| 2009     | 44.0                   | 44.0                 | 44.0               | 42.0              | 5.3                  | 47.3                 | 119.3             | 20.0                 | 139.3                         | 230.6                            |
| 2010     | 40.0                   | 40.0                 | 40.0               | 39.9              | 5.0                  | 44.9                 | 118.2             | 14.0                 | 132.2                         | 217.1                            |

Note: Each mill represents .1% per \$1,000 of assessed valuation.

Data for overlapping jurisdictions was provided by the Horry County Auditor's Office.

Tax years 2005 and 2010 were Horry County Property Tax Reassessment years.

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**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**PRINCIPAL PROPERTY TAXPAYERS  
June 30, 2011**

| Taxpayer                        | 2011                   |      |  | 2002                   |      |  |
|---------------------------------|------------------------|------|--|------------------------|------|--|
|                                 | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Columbia II Surfside Commons    | \$ 498,000             | 1    | 0.85%                                      |                        |      |  |
| Surfside Pier Hotel, Ltd.       | 448,498                | 2    | 0.76%                                      | 421,205                | 1    | 1.23%                                      |
| National Bank of South Carolina | 306,900                | 3    | 0.52%                                      |                        |      |  |
| Springfield Development Group   | 293,034                | 4    | 0.50%                                      |                        |      |  |
| Lodgian Hotels Fixed IV, LP     | 246,000                | 5    | 0.42%                                      |                        |      |  |
| Bonnie Jean Hammond-Robinson    | 199,722                | 6    | 0.34%                                      | 295,977                | 3    | 0.87%                                      |
| Holiday Inn Surfside            | 176,910                | 7    | 0.30%                                      |                        |      |  |
| William M. McKown               | 166,919                | 8    | 0.28%                                      |                        |      |  |
| Deerfield Myrtle Beach, LLC     | 159,282                | 9    | 0.27%                                      |                        |      |  |
| River City Café Holdings, LLC   | 155,544                | 10   | 0.26%                                      |                        |      |  |
| IMPAC Hotels, Inc.              |                        |      |  | 329,341                | 2    | 0.96%                                      |
| Jefferson Pilot Life Insurance  |                        |      |  | 295,955                | 4    | 0.87%                                      |
| James Calhoun, III              |                        |      |  | 153,591                | 5    | 0.45%                                      |
| Surfside Shopping Center        |                        |      |  | 136,932                | 6    | 0.40%                                      |
| Hosp Corp of America            |                        |      |  | 134,318                | 7    | 0.39%                                      |
| Tebele Investments, LLC         |                        |      |  | 127,364                | 8    | 0.37%                                      |
| AHP Corporation                 |                        |      |  | 121,545                | 9    | 0.36%                                      |
| Classic Investments             |                        |      |  | 118,591                | 10   | 0.35%                                      |
|                                 | <u>\$ 2,650,809</u>    |      | <u>4.51%</u>                               | <u>\$ 2,134,819</u>    |      | <u>5.54%</u>                               |

Source: Horry County Treasurer's Office.

**UNAUDITED**



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years

| Fiscal Year Ended | Total Tax Levy (1) | Collected within the Fiscal Year of the Levy |                    | Collections in Subsequent Years (2) | Total Collections to Date |                    |
|-------------------|--------------------|--|--------------------|-------------------------------------|---------------------------|--------------------|
|                   |                    | Amount                                       | Percentage of Levy |                                     | Amount                    | Percentage of Levy |
| 3/31/02           | \$ 1,711,710       | \$ 1,407,132                                 | 82.21%             | \$ 77,622                           | \$ 1,484,754              | 86.74%             |
| 3/31/03           | 1,696,417          | 1,446,681                                    | 85.28%             | 95,370                              | 1,542,051                 | 90.90%             |
| 3/31/04           | 2,067,642          | 1,806,967                                    | 87.39%             | 70,332                              | 1,877,299                 | 90.79%             |
| 3/31/05           | 2,135,702          | 1,885,402                                    | 88.28%             | 87,761                              | 1,973,163                 | 92.39%             |
| 3/31/06           | 2,230,238          | 1,985,077                                    | 89.01%             | 82,723                              | 2,067,800                 | 92.72%             |
| 3/31/07           | 2,002,191          | 1,906,087                                    | 95.20%             | 93,644                              | 1,999,731                 | 99.88%             |
| 3/31/08           | 2,087,362          | 1,977,059                                    | 94.72%             | 98,908                              | 2,075,967                 | 99.45%             |
| 3/31/09           | 2,315,577          | 2,082,049                                    | 89.91%             | 220,929 (3)                         | 2,302,978                 | 99.46%             |
| 6/30/10           | 2,276,552          | 2,145,810                                    | 94.26%             | 127,575                             | 2,273,385                 | 99.86%             |
| 6/30/11           | 2,256,797          | 2,090,348                                    | 92.62%             |                                     | 2,090,348                 | 92.62%             |

(1) Total tax levy includes the original tax levy adjusted by all additional tax levies and abatements.

(2) Reflects collection of delinquent taxes by year, excluding vehicles, adjusted for cash abatements.

(3) Fiscal period June 30, 2010 is a fifteen month period.

The above data is based on information provided by the Horry County Treasurer, who collects property taxes as an agent for the Town.

UNAUDITED

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years**

| Fiscal Year<br>Ended | Governmental Activities        |                 |                   | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income (1) | Per<br>Capita (1) |
|----------------------|--------------------------------|-----------------|-------------------|--------------------------------|---|-------------------|
|                      | General<br>Obligation<br>Bonds | Note<br>Payable | Capital<br>Leases |                                |   |                   |
| 3/31/02              | \$ 3,580,000                   | \$              | \$                | \$ 3,580,000                   | 3.31%                                   | \$ 804            |
| 3/31/03              | 3,325,000                      |                 |                   | 3,325,000                      | 3.07%                                   | 740               |
| 3/31/04              | 3,165,000                      |                 |                   | 3,165,000                      | 2.93%                                   | 684               |
| 3/31/05              | 2,865,000                      |                 |                   | 2,865,000                      | 2.65%                                   | 597               |
| 3/31/06              | 2,555,000                      |                 |                   | 2,555,000                      | 2.36%                                   | 512               |
| 3/31/07              | 2,235,000                      | 232,789         |                   | 2,467,789                      | 2.28%                                   | 476               |
| 3/31/08              | 1,905,000                      |                 |                   | 1,905,000                      | 1.76%                                   | 353               |
| 3/31/09              | 1,560,000                      |                 |                   | 1,560,000                      | 1.44%                                   | 278               |
| 6/30/10              | 1,190,000                      |                 |                   | 1,190,000                      | 1.10%                                   | 204               |
| 6/30/11              | 815,000                        |                 | 731,469           | 1,546,469                      | 0.99%                                   | 403               |

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
Last Ten Fiscal Years**

| Fiscal<br>Year | General<br>Obligation<br>Bonds | Less: Amounts<br>Available in Debt<br>Service Fund | Total        | Percentage of<br>Estimated<br>Actual Taxable<br>Value of<br>Property (1) | Per<br>Capita (2) |
|----------------|--------------------------------|--|--------------|--|-------------------|
| 3/31/02        | \$ 3,580,000                   | \$   | \$ 3,580,000 | 0.62%  | \$ 804            |
| 3/31/03        | 3,325,000                      |  | 3,325,000    | 0.59%  | 740               |
| 3/31/04        | 3,165,000                      |  | 3,165,000    | 0.53%  | 684               |
| 3/31/05        | 2,865,000                      |  | 2,865,000    | 0.46%  | 597               |
| 3/31/06        | 2,555,000                      |  | 2,555,000    | 0.31%  | 512               |
| 3/31/07        | 2,235,000                      |  | 2,235,000    | 0.27%  | 431               |
| 3/31/08        | 1,905,000                      |  | 1,905,000    | 0.22%  | 353               |
| 3/31/09        | 1,560,000                      |  | 1,560,000    | 0.17%  | 278               |
| 6/30/10        | 1,190,000                      |  | 1,190,000    | 0.12%  | 204               |
| 6/30/11        | 815,000                        |  | 815,000      | 0.08%  | 212               |

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2011**

| Governmental Unit                                | Debt<br>Outstanding | Estimated<br>Percentage<br>Applicable (1) | Estimated<br>Share of<br>Overlapping<br>Debt |
|--|---------------------|---|--|
| Debt repaid with property taxes: County          | \$ 114,797,000      | 2.90%                                     | \$ 3,329,113                                 |
| Debt repaid with property taxes: School District | 386,305,000         | 2.90%                                     | <u>11,202,845</u>                            |
| Subtotal, overlapping debt                       |                     |   | <u>14,531,958</u>                            |
| Town of Surfside Beach Direct Debt               |                     |   | <u>815,000</u>                               |
| Total Direct and Overlapping Debt                |                     |   | <u>\$ 15,346,958</u>                         |

Source: Assessed value data used to estimate applicable percentages provided by the Horry County Treasurer's Office. Debt outstanding provided by the Finance Departments of Horry County and the Horry County School District. Data for overlapping jurisdictions reports amounts outstanding at June 30, 2011.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Surfside Beach. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County and School District's taxable assessed value that is within the government's boundaries and dividing it by the County and School District's total taxable assessed value.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**

|   | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         | 2004         | 2003         | 2002         |
| Debt Limit  | \$ 4,723,928 | \$ 4,343,229 | \$ 4,248,239 | \$ 3,956,309 | \$ 3,864,266 | \$ 3,738,227 | \$ 2,930,416 | \$ 2,803,349 | \$ 2,735,566 | \$ 2,751,883 |
| Total Net Debt Applicable to Limit                                      | 534,733      | 553,460      | 571,938      | 589,169      | 605,649      | 621,630      | 637,112      | 652,095      | 560,330      | 526,467      |
| Legal Debt Margin   | \$ 4,189,195 | \$ 3,789,769 | \$ 3,676,301 | \$ 3,367,140 | \$ 3,258,617 | \$ 3,116,597 | \$ 2,293,304 | \$ 2,151,254 | \$ 2,175,236 | \$ 2,225,416 |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 11.32%       | 12.74%       | 13.46%       | 14.89%       | 15.67%       | 16.63%       | 21.74%       | 23.26%       | 20.48%       | 19.13%       |

**Legal Debt Margin Calculation for Fiscal Year 2011**

|   |                     |
|---|---------------------|
| Assessed value                              | \$ 58,822,253       |
| Exempt Merchants Inventory (1987 Valuation) | 226,850             |
| Total                                       | <u>59,049,103</u>   |
| Debt limit (8% of total assessed value)     | 4,723,928           |
| Debt applicable to limit:                   |                     |
| General obligation bonds                    | 815,000             |
| Bonds issued under referendum               | (280,267)           |
| Total net debt applicable to limit          | <u>534,733</u>      |
| Legal debt margin                           | <u>\$ 4,189,195</u> |

Notes: Under state law, the Town's outstanding general obligation debt shall not exceed eight percent (8%) of total assessed property value unless approved by a majority vote of qualified electors of the political subdivision voting in a referendum authorized by law.

Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

| Fiscal Year | Population (1) | Personal Income (1)<br>(amounts expressed in thousands) | Per Capita Personal Income (1) | Median Age (1) | School Enrollment (1) | Unemployment Rate (2) |
|-------------|----------------|---|--------------------------------|----------------|-----------------------|-----------------------|
| 3/31/02     | 4,451          | \$ 108,169  | \$ 24,302                      | 44.5           | 680                   | 4.90%                 |
| 3/31/03     | 4,496          | 108,169   | 24,059                         | 44.5           | 680                   | 5.10%                 |
| 3/31/04     | 4,630          | 108,169   | 23,363                         | 44.5           | 680                   | 5.60%                 |
| 3/31/05     | 4,795          | 108,169   | 22,559                         | 44.5           | 680                   | 5.70%                 |
| 3/31/06     | 4,986          | 108,169   | 21,695                         | 44.5           | 680                   | 5.50%                 |
| 3/31/07     | 5,185          | 108,169   | 20,862                         | 44.5           | 680                   | 5.40%                 |
| 3/31/08     | 5,392          | 108,169   | 20,061                         | 44.5           | 680                   | 5.80%                 |
| 3/31/09     | 5,608          | 108,169   | 19,288                         | 44.5           | 680                   | 12.80%                |
| 6/30/10     | 5,832          | 108,169   | 18,547                         | 44.5           | 680                   | 10.30%                |
| 6/30/11     | 3,837          | 156,781   | 30,396                         | 50.5           | 525                   | 10.50%                |

Note: Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.

(1) U.S. Census Bureau, 2010 Census. Population amounts for 2002 - 2010 are calculated using growth rates of the previous years.

(2) U.S. Department of Labor & S.C. Employment Security Commission. Unemployment rates are based on the Metropolitan Statistical Area as a whole. Information is not available individually for the Town.

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**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**PRINCIPAL EMPLOYERS  
Current and Nine Years Ago**

| Employer                     | 2011       |      |                                     | 2002               |      |                                     |
|------------------------------|------------|------|-------------------------------------|--------------------|------|-------------------------------------|
|                              | Employees  | Rank | Percentage of Total Town Employment | Employees          | Rank | Percentage of Total Town Employment |
| Crabby Mike's                | 100        | 1    | Unavailable                         | Unavailable        | 1    | Unavailable                         |
| BiLo, Inc.                   | 80         | 2    | Unavailable                         | Unavailable        | 2    | Unavailable                         |
| Surfside Realty Co, Inc.     | 79         | 3    | Unavailable                         | Unavailable        | 3    | Unavailable                         |
| Town of Surfside Beach       | 74         | 3    | Unavailable                         | Unavailable        | 4    | Unavailable                         |
| Piggly Wiggly                | 68         | 5    | Unavailable                         | Unavailable        | 5    | Unavailable                         |
| Lodgian Hotels               | 50         | 6    | Unavailable                         | Unavailable        | 6    | Unavailable                         |
| Surfside Beach Resort        | 50         | 7    | Unavailable                         | Unavailable        | 7    | Unavailable                         |
| Lanes's Pest Elimination     | 46         | 8    | Unavailable                         | Unavailable        | 8    | Unavailable                         |
| Dagwoods Deli & Sports Bar   | 43         | 9    | Unavailable                         | Unavailable        | 9    | Unavailable                         |
| Original Benjamin's Calabash | 31         | 10   | Unavailable                         | Unavailable        | 10   | Unavailable                         |
|                              | <u>621</u> |      | <u>Unavailable</u>                  | <u>Unavailable</u> |      | <u>Unavailable</u>                  |

Source: Finance department and each employer.

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**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**FULL TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

| Function                  | Full-time Equivalent Employees as of Year End |           |           |           |           |           |           |           |           |           |
|---------------------------|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                           | 2011  | 2010      | 2009      | 2008      | 2007      | 2006      | 2005      | 2004      | 2003      | 2002      |
| General Government        | 13  | 13        | 13        | 11        | 12        | 11        | 11        | 12        | 10        | 10        |
| Public Safety             |   |           |           |           |           |           |           |           |           |           |
| Police                    |   |           |           |           |           |           |           |           |           |           |
| Officers                  | 22  | 22        | 21        | 20        | 20        | 20        | 20        | 15        | 15        | 14        |
| Communications/Office     | 6   | 6         | 6         | 7         | 7         | 7         | 5         | 6         | 6         | 6         |
| Fire                      |   |           |           |           |           |           |           |           |           |           |
| Firefighters and Officers | 7   | 6         | 5         | 5         | 5         | 5         | 5         | 5         | 6         | 6         |
| Building and Zoning       | 3   | 3         | 3         | 4         | 4         | 5         | 5         | 4         | 3         | 3         |
| Grounds                   | 4   | 7         |           |           |           |           |           |           |           |           |
| Public Works              |   |           |           |           |           |           |           |           |           |           |
| Streets                   | 10  | 7         | 7         | 11        | 11        | 10        | 10        | 10        | 10        | 11        |
| Vehicle Maintenance       | 2   | 1         | 1         | 2         | 2         | 2         | 2         | 2         | 2         | 2         |
| Culture and Recreation    | 2   | 2         | 9         | 5         | 5         | 6         | 6         | 6         | 6         | 6         |
| Sanitation                | 9   | 9         | 8         | 12        | 12        | 12        | 12        | 11        | 11        | 11        |
| <b>Total</b>              | <b>78</b>                                     | <b>76</b> | <b>73</b> | <b>77</b> | <b>78</b> | <b>78</b> | <b>76</b> | <b>71</b> | <b>69</b> | <b>69</b> |

Notes: (1) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.

(2) Grounds department was not separately presented prior to fiscal period 2010.

Source: Town budget.

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

OPERATING INDICATORS BY FUNCTION  
Last Ten Fiscal Years

| Function                 | Fiscal Year |        |       |       |       |       |             |             |             |             |
|--------------------------|-------------|--------|-------|-------|-------|-------|-------------|-------------|-------------|-------------|
|                          | 2011        | 2010   | 2009  | 2008  | 2007  | 2006  | 2005        | 2004        | 2003        | 2002        |
| Police                   |             |        |       |       |       |       |             |             |             |             |
| Physical arrests         | 548         | 676    | 506   | 528   | 310   | 750   | 517         | 527         | 588         | 685         |
| Parking violations       | 3,934       | 3,677  | 2,872 | 2,730 | 2,168 | 2,673 | Unavailable | Unavailable | Unavailable | Unavailable |
| Traffic violations       | 2,028       | 4,129  | 3,946 | 3,676 | 1,794 | 3,435 | 2,352       | 1,910       | 1,780       | 2,498       |
| Fire                     |             |        |       |       |       |       |             |             |             |             |
| Number of calls answered | 633         | 675    | 756   | 729   | 514   | 663   | 609         | 656         | 638         | 586         |
| Building and Zoning      |             |        |       |       |       |       |             |             |             |             |
| New construction permits | 20          | 19     | 22    | 47    | 84    | 115   | 87          | 130         | 71          | 59          |
| Culture and Recreation   |             |        |       |       |       |       |             |             |             |             |
| Events held              | 23          | 27     | 16    | 19    | 20    | 19    | 13          | 12          | 11          | 13          |
| Sanitation               |             |        |       |       |       |       |             |             |             |             |
| Refuse collected (tons)  | 6,737       | 8,873  | 6,977 | 7,618 | 7,715 | 7,435 | 7,350       | 7,109       | 6,681       | 6,459       |
| Recyclables collected    | 534         | 626    | 383   | 312   | 300   | 308   | 312         | 307         | 300         | 268         |
| Pier                     |             |        |       |       |       |       |             |             |             |             |
| Admissions               | 58,618      | 80,787 | 8,699 |       |       |       |             |             |             |             |
| Fishing                  | 11,837      | 18,264 | 2,197 |       |       |       |             |             |             |             |

Source: Various government departments.

Notes: (1) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.

(2) Fiscal year 2009 statistical information on the Pier is for a partial year of October 2008 through March 2009.

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION  
Last Ten Fiscal Years

| Function               | Fiscal Year |      |      |      |      |      |      |      |      |      |
|------------------------|-------------|------|------|------|------|------|------|------|------|------|
|                        | 2011        | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Public Safety          |             |      |      |      |      |      |      |      |      |      |
| Police:                |             |      |      |      |      |      |      |      |      |      |
| Stations               | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Patrol units           | 21          | 21   | 21   | 21   | 19   | 19   | 14   | 14   | 14   | 14   |
| Fire stations          | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Highways and Streets   |             |      |      |      |      |      |      |      |      |      |
| Streets (miles)        | 39          | 39   | 39   | 39   | 39   | 36   | 34   | 34   | 34   | 33   |
| Streetlights           | 518         | 518  | 518  | 518  | 518  | 518  | 492  | 492  | 492  | 452  |
| Traffic signals        | 3           | 3    | 3    | 3    | 3    | 3    | 3    | 3    | 3    | 3    |
| Culture and Recreation |             |      |      |      |      |      |      |      |      |      |
| Parks acreage          | 32          | 30   | 30   | 30   | 30   | 30   | 30   | 30   | 30   | 30   |
| Parks                  | 8           | 6    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| Tennis courts          | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Community centers      | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Sanitation             |             |      |      |      |      |      |      |      |      |      |
| Collection trucks      | 7           | 7    | 7    | 7    | 9    | 8    | 8    | 7    | 7    | 6    |
| Pier                   |             |      |      |      |      |      |      |      |      |      |
| Fishing Pier           | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |

Source: Various government departments.

Notes: (1) No capital asset indicators are available for the general government function.

(2) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.

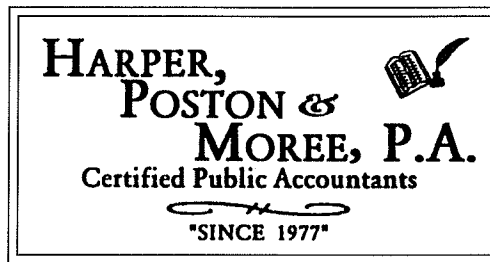
(3) Statistical information on the Pier is for a partial year of October 2008 through March 2009.

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**INDEPENDENT AUDITORS' OTHER  
REPORT SECTION**





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**INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of Town Council  
Town of Surfside Beach, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 11, 2011. As described in Note 1 to the financial statements, the Town adopted the provisions of GASB Statement No. 54 in the current fiscal year. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

to be significant deficiencies in the internal control over financial reporting. We consider the deficiency 11-B1 to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance And Other Matters**

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

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

This report is intended solely for the information and use of management, others within the entity, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Harper, Poston & Moree, P.A.*

Harper, Poston & Moree, P.A.  
Certified Public Accountants

Pawleys Island, South Carolina  
November 11, 2011

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

**A. Summary of Audit Results**

1. The auditor's report expresses unqualified opinions on the basic financial statements.
2. One significant deficiency was disclosed during the audit of the basic financial statements. This deficiency is not reported as a material weakness.
3. No instances of noncompliance were disclosed during the audit of the basic financial statements.
4. The Town did not fall under the requirements of OMB Circular A-133; therefore, no control deficiencies were disclosed for major federal award programs.
5. The Town did not fall under the requirements of OMB Circular A-133; therefore, no auditor's report on compliance for major federal award programs was issued.
6. The Town did not fall under the requirements of OMB Circular A-133; therefore, no audit findings relative to major federal award programs are disclosed in the following schedule.
7. No federal award programs were tested as major programs.
8. The Town did not fall under the requirements of OMB Circular A-133; therefore, there was no threshold for distinguishing between Types A and B programs.
9. Risk relative to major federal award programs was not required to be assessed.

**B. Findings - Financial Statement Audit**

***11-B1 Financial Statement Preparation***

Control Deficiency: The Town's accounting staff does not prepare its financial statements and related note disclosures.

Criteria: Controls over the preparation of financial statements are necessary in preventing and detecting misstatements that could occur in the financial statements.

Cause: Management turnover and budget constraints prevented the Town's Treasurer from attending the training needed to prepare its financial statements.

Effect: Errors or misstatements could occur and not be detected by management.

Recommendation: Management should take steps towards preparing its financial statements.



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

**B. Findings - Financial Statement Audit (continued)**

*11-B1 Financial Statement Preparation (continued)*

Management's Response: Although we did not prepare the financial statements, we reviewed and approved them prior to issuance to ensure every possible step was taken to detect misstatements. The Town's position on controls maintains that: the cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatement. However, the Town's management agrees that gaining the experience needed to prepare financial statements presented in accordance with GAAP is reasonable and can be achieved through training and certifying finance staff. The Town's Treasurer attained her Certified Government Finance Officer certification in November 2009. However, due to turnover in the Town's management during 2010 and budget constraints during 2011 she has not been able to devote the time towards additional training. We anticipate being able to prepare the Town's financial statements in the near future.

**C. Findings - Federal Award Program Audit**

Not applicable.

