

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

**Prepared By: Finance Department
Diana H. King
Finance Director**



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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Introductory Section



**Town of Surfside Beach, South Carolina
Principal Officials
June 30, 2015**

Elected Officials

Douglas F. Samples **Mayor**
David L. Pelligrino..... Mayor Pro-Tempore, Council Member
Robert F. Childs, III..... Council Member
Mark L. Johnson Council Member
Mary Beth Mabry..... Council Member
Ralph J. Magliette Council Member
Randle M. Stevens Council Member

Appointed Officials

Micki C. Fellner, CGCIO **Town Administrator**
Diana H. King Finance Director
Debra E. Herrmann Town Clerk
Rodney L. Keziah Police Chief
Kevin Otte..... Fire Chief
Sabrina T. Morris Planning, Building and Zoning Director
John G. Adair Public Works Director

Town of Surfside Beach, SC FY 2014-2015 Organizational Chart



Mayor
Douglas F. Samples

Administrator
Micki Fellner

Town Clerk
Debra E. Herrmann, CMC



Town of Surfside Beach

Mayor Pro Tem
David L. Pellegrino

Town Council
Robert F. Childs
Mark L. Johnson
Mary Beth Mabry
Ralph Magliette
Randle M. Stevens

October 28, 2015

To Town Council, Town 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, 2015, 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 of all 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.

Greene, Finney & Horton, LLP, Certified Public Accountants, have issued an unmodified opinion on the Town of Surfside Beach's financial statements for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

Generally Accepted Accounting Principles ("GAAP") require 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 17.

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.

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 several staff departments including planning, building and zoning, finance, police, fire, public works, special events and the municipal court.

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, code enforcement, stormwater management, recreation and cultural activities.

The Town of Surfside Beach 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 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 when there were just 880 residents. The most recent Census in 2010 now reports that there are 3,837 permanent residents and the Town's population swells to over 50,000 during the summer season. Significant growth and development have taken place along the Town's oceanfront in the last decade. In addition, commercial development continues to rise in the Town's business district on Surfside Drive and along the US Highway 17 Business corridor. 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, classified as 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 and Accommodations Taxes. In the past ten years these special revenues have increased by over \$320,000. These taxes are used to cover the escalating costs of public safety due to the high percentage of tourists in the area. The Town's expenditures relating to public safety are 48% of total expenditures.

Business license and building permit revenue have also 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.

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

Town Council established a formal financial policy in fiscal year 2015 which identifies funds for specific purposes in the General Fund and also sets specific goals for other financial funds maintained by the Town. A Disaster Recovery reserve has been established in the General Fund with initial funding of \$400,000 and a goal to achieve a balance of \$1,200,000 by 2020. The Capital Replacement Reserve has been assigned three mills to be used to purchase vehicles and equipment. The Land, Meters, and Parking Reserve will receive net revenue from parking operations, excluding pier parking revenue. These monies shall be used to beautify parking areas, purchase and maintain parking equipment and/or purchase land. The Council has set a goal of maintaining an unassigned General Fund reserve at the end of each fiscal year containing approximately four months of General Fund expenditures. Unassigned fund balance in the General Fund stands at 24% of total General Fund expenditures as of June 30, 2015. Unassigned fund balance consists of amounts that are available for any purpose.

In 2015 the General Fund has transferred to the Capital Project Fund \$770,000 restricted for road projects. This transfer reflects a net decrease in fund balance in the General Fund and a corresponding increase in the Capital Projects Fund. This transfer is a one-time item and will help to separate large capital projects from the General Fund.

The Capital Projects Fund has been assigned specific revenues for road projects, beach renourishment and a millage amount to be determined during the budgeting process. The Beach Renourishment reserve will have a minimum funding of \$50,000 annually.

The Enterprise funds, Sanitation and Pier Fund are required to have four months of anticipated expenses in unrestricted net position at fiscal year-end.

Five 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. In 2011, the Town Council elected to defer two (2) years principal re-payment of this advance. The Pier Fund has made the deferred payments and expects to pay interest and make on time principal payments over the remaining three year repayment period.

The Town Council has an ongoing commitment to construct and maintain the Town's stormwater infrastructure and to comply with the Clean Water Act without incurring additional debt. A 5 mill tax transfer levy for stormwater improvements and water quality maintenance has been used to fund such projects. The 5 mill tax transfer fund accumulated over \$500,000 from 2003 through 2012 for future projects. In 2013 the Town Council reduced the tax levy to 1 mil. This year, Phase 1 improvements to the Upper Myrtle and Magnolia Drainage Basins, were completed at a cost of \$643,000. Phase 2 of this project will be completed as funds become available. In addition, an improvement to the Dogwood Lake Outfall weir, to restore lower water levels in the adjacent wetlands, was completed at a cost of \$12,900.

In an effort to keep insurance rates low for our citizens, the Town also has 3 certified floodplain managers on staff. Town Council authorized the escalation of the Community Rating System program to help us better comply with FEMA directives. The Town also continues to employ 3 certified Crime Prevention through Environmental Design ("CPTED") inspectors who offer inspections for those citizens and businesses that want their property vetted for safety. In addition, Town Council authorized the hiring of a Code Enforcement Official to the Planning, Building & Zoning Department.

Relevant Financial Policies

The Town's investment policy is to minimize risks while maintaining a competitive yield on its funds; accordingly, the Town's excess funds earn interest in an overnight repurchase agreement with the Town's principal banking institution, South State Bank. In accordance with this strategy each night the Town's funds on deposit are evaluated and funds in excess of the FDIC amount are re-invested in increments not to exceed the FDIC, which is currently \$250,000.

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 RSUI Indemnity Corporation for the Town's fishing pier. Employee benefits such as worker's compensation, medical, dental, vision, and life insurance coverage are provided through contracts with the South Carolina Municipal Insurance Trust and Blue Cross Blue Shield of South Carolina. Unemployment coverage is through the South Carolina Employment Security Commission. The Town does not offer any post-retirement employee benefits. COBRA benefits for our medical, dental and vision plans are handled by Blue Cross Blue Shield of South Carolina and by the Town of Surfside Beach.

Major Initiatives – Year in Review

Major items

The Town of Surfside Beach continues to use road fees collected from vehicle taxes and other Horry County Transportation Committee monies funded by the state gasoline tax and dispersed by the state for the paving of roads, creation and maintenance of sidewalks, and other street-related improvements. This past year the Town continued with paving schedule throughout the Town, completing approximately 5.2 miles.

The Town of Surfside Beach purchased the Surfside Beach fishing pier and properties in October of 2008 and this year-added a new destination sign. In 2014 the Town held the sixth annual July 4th Celebration which included a grand fireworks display held at the pier. It is estimated that over 50,000 people were in attendance.

The Town of Surfside Beach continues to provide stormwater relief and education to its citizens through its partnership with Coastal Carolina University's (CCU) water quality monitoring program. This program uses citizen volunteers that have been trained to collect water samples.

This year the Town purchased body cameras for all sworn officers in the Police Department. This endeavor was funded through monies allocated in accordance with Proviso 601. The Police Department also welcomed a second narcotic's detection and tracking dog, Viking, in May of 2015. The K-9 and the training were funded by private donations from the community as well as funds from seized narcotic forfeitures. Other initiatives accomplished this year were the successful completion of the Third Annual Citizen's Police Academy, the installation and configuration of security cameras in the sally port and rear parking lot, an upgrade to the air conditioning system in the Police Department server room, an upgrade including configuration of the existing server to handle body camera footage, and the purchase of other storage devices to comply with new regulations, in preparation for the upcoming SLED technical audit.

Major initiatives completed this year by the Fire Department include the attainment of an Insurance Services Organization ("ISO"), Class 1 rating. Only 87 other Fire Departments in the nation hold this rating which gives our residents and businesses the advantage of lower insurance rates. Also, in an effort to maximize the life of our existing fleet of emergency fire vehicles, the Town continues to engage in an on-going refurbishment effort. Engine 57 had its lighting and reflective markings updated, its pump repaired, and new seats installed to make the unit compliant with the current NFPA standards. This work will ensure that the apparatus will be compliant until the year 2024-2025 when the engine is slated for replacement. In addition, water rescue equipment was purchased and placed in service and all members were retrained in amphibious rescue and recovery techniques. Finally, the department continues their work to obtain a state license for First Responder which is anticipated to occur in the fall of 2015.

The Town joined the Community Rating System ("CRS") program in 2010. During the past year the Town has made an aggressive commitment to lower the cost of flood insurance within the Town as rates continue to rise, placing a financial burden on the citizenry due to national flood insurance reform. To that end the Planning, Building and Zoning Department has completed the

Community Rating System program five year audit and is awaiting the results. The goal of the audit is to reduce the Town's rating, currently a 9, thereby reducing flood insurance rates for properties within the Town. The recent audit included verification by ISO/CRS specialists that the Town has complied with environmental requirements and implemented activities for which FEMA credits would be issued. The materials collected during the audit were reviewed by ISO/CRS specialists and are still being assessed by ISO/CRS technical reviewers and the ISO Program Coordinator. After the review process is complete, the assessment results will be submitted to FEMA for approval. It is anticipated that the review process will be completed sometime in the early fall of 2015.

In addition, the Town has hired its first GIS (Geographical Information System) Technician. In the past the Town has outsourced the mapping component of all Town operations. Not only has this been costly, but projects have been delayed due to demand and priorities of the outsourced, professional service provider. The technician has already produced maps for zoning, flood, stormwater drainage systems and elevation certificate maps which are available to Town staff and the general public. Additional mapping data is added daily to help build a complete database of information critical to the Town and all departments as well as property owners and the general public.

Major initiatives completed this year by Public Works include the resurfacing of 5.2 miles of road in town, the completion of Phase 1 of the Upper Myrtle and Magnolia Drainage Project, the completion of a weir improvement to the Dogwood Lake Outfall, the purchase and installation of two new Life Trail exercise stations in Passive Park, the replacement of the current radio system with a VHF system, the replacement of the diesel pump system at Public Works, the procurement and installation of a new sign for the Town-owned pier and the creation and landscaping of a parking lot at 4th Avenue North and Ocean Boulevard.

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. To that end, renovations to the Huckabee ballfields will be ongoing. The Town also continues to use road fees collected from vehicle taxes and other Horry County Transportation Committee funds dispersed from the state gasoline tax for paving roads, sidewalks, and other street-related improvements. It is anticipated that 4.75 miles of roads will be resurfaced in the coming year. In addition, the Town plans to begin Phase 1 of a project to install curb and gutter along the entire length of Surfside Drive, the Town's major thoroughfare and gateway to the pier.

In an effort to maintain and preserve our greatest asset, the beach, next year we will also continue to improve our dune walkovers and plan to build 3 additional 12 ft. by 12 ft. structures. On Ocean Boulevard we will also begin Phase 1 construction of our Underground Wiring Project from 3rd Avenue South to 9th Avenue South.

The Town's ongoing investment in the pier is supported by the Comprehensive Plan and ensures that it will remain a focal point of the Town and continue to promote tourism. Adding an

educational component to the pier to enhance our destination branding is under consideration by Town Council. Informative plaques related to indigenous aquatic life, the stormwater cycle, the history of the pier, and the impending buildout of an artificial reef 6 miles offshore are a few of the topics that are being considered for inclusion.

The Town will also continue to promote and provide for stormwater improvements. Water quality and stormwater education continue to be a focus of our compliance with the Clean Water Act and the National Pollutant Discharge Elimination System (“NPDES”). The Town will also begin its eighth year of participation in both the Coastal Waccamaw Stormwater Education Consortium and Coastal Carolina University’s volunteer monitoring program for water quality testing. To fund all of these initiatives the tax allocation beginning July 2015 will become 2 mils.

The Town also plans to upgrade the in-car video cameras in the Police Department to new WatchGuard cameras that can be integrated with the body cameras that all sworn officers now wear. This undertaking will take multiple years to complete due to the cost involved.

In an effort to maximize the life of our existing fleet of emergency fire vehicles, the Town engages in an on-going refurbishment effort. In addition, keeping the Town’s current ISO Class 1 rating will continue to be a priority. To that end, the Fire Department will continue to work with GSWSA until the necessary upgrade of all major water mains, to at least a 6 inch diameter, is realized. The Town has also identified more than 15 sites that would benefit from the installation of new fire hydrants and will work toward that goal to ensure we can maintain our current rating.

Through its Planning, Building and Zoning Department the Town will continue to aggressively pursue a lower CRS rating in an ongoing effort to lower flood insurance rates for its citizenry. In addition resources will continue to be allocated to aide in the effort to build the Town’s mapping database. This will not only serve to integrate the GIS function into the daily operations of each department but will also provide a value-added service to the public at large.

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, 2014, which was the 26th 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 are submitting it to GFOA to determine its eligibility for another certificate.

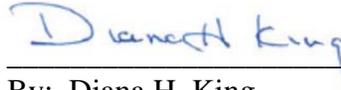
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the Town's auditing firm; Greene, Finney & Horton, LLP, Certified Public Accountants, the Town's Finance Department, as well as the Town's department directors and staff. Each 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,

TOWN OF SURFSIDE BEACH



By: Micki C. Fellner, CGCIO
Its Town Administrator



By: Diana H. King
Its Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Surfside Beach
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



Financial Section





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of an Error

As discussed in Note IV.D, the previously-issued financial statements for the year ended June 30, 2014 have been restated to properly report interfund balances and related equity accounts. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note I.B to the financial statements, in 2015 the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” and Governmental Accounting Standards Board Statement No. 71 “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*”. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the budgetary comparison schedules, and the pension schedules, as listed in the table of contents, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town’s basic financial statements. The introductory section, supplementary information, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 28, 2015

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

As management of the Town of Surfside Beach ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015 ("2015") compared to fiscal year ended June 30, 2014 ("2014"). The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in the letter of transmittal, the financial statements and notes to the financial statements to enhance their understanding of the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year by approximately \$17,577,000 (*net position*). Of this amount, approximately \$13,855,000 and \$3,722,000 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) was a deficit of approximately \$1,010,000 for its governmental activities and positive net position of approximately \$549,000 for its business-type activities.
- The government's total net position increased by approximately \$891,000 for governmental activities and approximately \$472,000 for business-type activities compared to the prior year restated net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$5,282,000, a decrease of approximately \$90,000 compared to the prior year's combined fund balance.
- The Town's General Fund reported total fund balance of approximately \$3,384,000. Approximately 46% of this total amount, or approximately \$1,545,000, is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance for the General Fund was approximately 24% of total General Fund expenditures for the year ended June 30, 2015.
- The Town's governmental activities capital assets increased by approximately \$760,000 (6%) during the current fiscal year due to capital asset additions of approximately \$1,680,000, partially offset by depreciation expense of approximately \$889,000 and net disposals of capital assets of approximately \$31,000. The Town's business-type activities capital assets decreased by approximately \$120,000 (3%) during the current fiscal year primarily due to capital asset additions of approximately \$416,000, partially offset by depreciation expense of approximately \$259,000 and net disposals of approximately \$37,000.
- The Town's governmental activities total debt (including capital leases) decreased by approximately \$73,000 (14%) during the current year due to scheduled principal payments. The Town's business-type activities had no debt outstanding during the year ended June 30, 2015.
- The Town implemented Governmental Accounting Standard Boards ("GASB") Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68") and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*" ("GASB #71" and collectively "Statements") in 2015. These Statements require the Town to recognize a net pension liability, deferred outflows of resources (including pension contributions made after the measurement date) and deferred inflows of resources for its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans"), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the statement of net position) and presents more extensive note disclosures.

The adoption of these Statements had no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority who administers the Plans. However, the adoption has resulted in the restatement of the Town's net position as of July 1, 2014 for its government-wide financial statements and Sanitation Fund to reflect the reporting of net pension liabilities, deferred outflows of resources, and deferred inflows of resources for each of its qualified pension plans in accordance with the provisions of these Statements. Net position of the Town's government-wide financial statements and Sanitation Fund as of July 1, 2014 was decreased by approximately \$4,734,000 and \$675,000, respectively, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B in the notes to the financial statements for more information regarding the Town's retirement plans.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS

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

Financial Statements

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

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

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general government, public safety, building and zoning, grounds, street, and culture and recreation. Taxes, business licenses, building permits, fines, recreational fees, and intergovernmental grant revenues finance most of these activities. The business-type activities are the Town's sanitation services and pier operations for which it charges its customers a fee to provide.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between *governmental activities* (reported in the statement of net position and the statement of activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The Town maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Accommodations Tax Fund, Hospitality Fund, Local Accommodations Tax Fund, Capital Projects Fund, and the Police Drug Fund. The governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds – The Town maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town uses two enterprise funds to account for its sanitation services and pier operations. The proprietary fund financial statements can be found as listed in the table of contents.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. *Agency* funds are used to account for assets the Town holds on behalf of others. The Firemen's Fund is used to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by state fire insurance companies. The Agency Fund is custodial in nature and does not present results of operations.

The financial statement of the fiduciary fund can be found as listed in the table of contents.

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 can be found as listed in the table of contents.

Other Information – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. A required budgetary comparison schedule has been provided for the General Fund and all of the major special revenue funds with legally adopted budgets to demonstrate compliance with the budgets. Required pension schedules have been included which provide relevant information regarding the Town's participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents.

Supplementary information, which includes combining and individual fund schedules and a schedule of fines, assessments, and surcharges are presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the Town’s Government-Wide and Fund Financial Statements				
	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds).	The activities of the Town that are not proprietary or fiduciary.	Activities the Town operates similar to private businesses.	Instances in which the Town is the trustee or agent for someone else’s resources.
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances. 	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Revenues, Expenses, and Changes in Net Position. ▪ Statement of Cash Flows. 	<ul style="list-style-type: none"> ▪ Statement of Assets and Liabilities and Statement of Fiduciary Net Position (not required for agency funds). ▪ Statement of Changes in Fiduciary Net Position (not required for agency funds).
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All balance sheet elements - both financial and capital, and short-term and long-term.	All balance sheet elements that come due during the year or soon, thereafter. No capital assets or long-term obligations are included.	All balance sheet elements - both financial and capital, and short-term and long-term.	All balance sheet elements - short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position as of June 30, 2015 compared to June 30, 2014:

	Governmental Activities		Business-Type Activities		Total	
	2015[^]	2014*	2015[^]	2014*	2015[^]	2014*
Assets:						
Current and Other Assets	\$ 5,868,401	6,161,838	727,041	151,409	6,595,442	\$ 6,313,247
Capital Assets, Net	13,963,609	13,202,998	3,743,838	3,623,887	17,707,447	16,826,885
Total Assets	19,832,010	19,364,836	4,470,879	3,775,296	24,302,889	23,140,132
Deferred Outflows of Resources						
	494,610	-	54,851	-	549,461	-
Liabilities						
Long-Term Obligations	5,520,520	955,414	708,539	22,622	6,229,059	978,036
Other Liabilities	484,644	506,036	37,048	32,648	521,692	538,684
Total Liabilities	6,005,164	1,461,450	745,587	55,270	6,750,751	1,516,720
Deferred Inflows of Resources						
	466,847	-	57,720	-	524,567	-
Net Position						
Net Investment in Capital Assets	13,524,728	12,690,970	3,173,338	3,623,887	16,698,066	16,314,857
Restricted	1,339,951	1,273,098	-	-	1,339,951	1,273,098
Unrestricted	(1,010,070)	3,939,318	549,085	96,139	(460,985)	4,035,457
Total Net Position	\$ 13,854,609	17,903,386	3,722,423	3,720,026	17,577,032	\$ 21,623,412

[^] The Town implemented GASB #68/71 in 2015. See Financial Highlights section for more details.

* Certain amounts have been reclassified to agree to the current year presentation.

The Town's total assets increased approximately \$1,163,000 from the prior year to approximately \$24,303,000 at June 30, 2015. Current and other assets were fairly consistent between years. Capital assets increased approximately \$881,000 from the prior year primarily due to capital additions exceeding depreciation expense and net disposals. Total liabilities increased approximately \$5,234,000 from the prior year primarily due to the implementation of GASB #68 and #71 which required the Town to recognize net pension liabilities totaling approximately \$5,453,000 (see Financial Highlights section for more details).

The Town's net position decreased by approximately \$4,046,000 during the current fiscal year due to a decrease in opening net position of approximately \$5,409,000 as a result of the Town implementing GASB #68 and GASB #71, as discussed previously, partially offset by an increase in net position of approximately \$1,363,000 related to the Town's current year operations.

The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$17,577,000 at June 30, 2015. The largest portion of the Town's net position of approximately \$16,698,000 (approximately 95%) reflects its investment in capital assets (i.e., land, buildings, furniture, equipment, infrastructure, etc.) less any related outstanding capital lease obligations used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the Town's net position of approximately \$1,300,000 (approximately 7%) represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for special revenue programs which are restricted by the revenue source (i.e. hospitality fee, accommodations tax, etc.). The remaining portion of the Town's net position is a deficit unrestricted net position of approximately \$421,000 (approximately -2%) which may be used to meet the government's ongoing obligations to citizens and creditors.

The following table shows the changes in the Town's net position for 2015 compared to 2014.

	Governmental Activities		Business-Type Activities		Totals	
	2015[^]	2014*	2015[^]	2014*	2015[^]	2014*
Revenues:						
Program Revenues:						
Charges for Services	\$ 672,155	623,582	1,809,827	1,731,490	2,481,982	\$ 2,355,072
Operating Grants and Contributions	26,814	119,314	1,000	73,766	27,814	193,080
Capital Grants and Contributions	432,514	111,623	-	-	432,514	111,623
General Revenues:						
Taxes	6,090,330	5,415,933	-	-	6,090,330	5,415,933
Other	885,988	812,484	22,093	3,902	908,081	816,386
Total Revenues	8,107,801	7,082,936	1,832,920	1,809,158	9,940,721	8,892,094
Expenses:						
General Government	1,682,384	1,760,871	-	-	1,682,384	1,760,871
Public Safety	3,483,746	3,125,304	-	-	3,483,746	3,125,304
Building and Zoning	255,968	219,266	-	-	255,968	219,266
Grounds	415,302	348,930	-	-	415,302	348,930
Street	1,197,025	994,137	-	-	1,197,025	994,137
Culture and Recreation	270,350	334,751	-	-	270,350	334,751
Interest	11,631	13,560	-	-	11,631	13,560
Sanitation	-	-	1,056,417	1,078,594	1,056,417	1,078,594
Pier	-	-	204,967	182,813	204,967	182,813
Total Expenses	7,316,406	6,796,819	1,261,384	1,261,407	8,577,790	8,058,226
Change in Net Position Before Transfers	791,395	286,117	571,536	547,751	1,362,931	833,868
Transfers In (Out)	99,242	89,440	(99,242)	(89,440)	-	-
Change in Net Position	890,637	375,557	472,294	458,311	1,362,931	833,868
Net Position, Beginning of Year -						
As Previously Reported	17,903,386	17,527,829	3,720,026	3,261,715	21,623,412	20,789,544
Cumulative Change in Accounting						
Principle - See Note I.B [^]	(4,734,317)	-	(674,994)	-	(5,409,311)	-
Prior Period Adjustment - See Note IV.D	(205,097)	-	205,097	-	-	-
Net Position, Beginning of Year - As Restated	12,963,972	17,527,829	3,250,129	3,261,715	16,214,101	20,789,544
Net Position - End of Year	\$13,854,609	17,903,386	3,722,423	3,720,026	17,577,032	\$21,623,412

[^] The Town implemented GASB #68/71 in 2015. See Financial Highlights section for more details.

* Certain amounts have been reclassified to agree to the current year presentation.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities: Governmental activities increased the Town's net position by approximately \$891,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

- Total governmental activities revenues for the year ended June 30, 2015 increased approximately \$1,025,000 (14%) from the prior year to approximately \$8,108,000. This increase was primarily due to (a) higher tax revenues (due to an increase in the millage rate) and (b) continued improvement in the economic conditions of the area.
- Total governmental activities expenses increased by approximately \$520,000 (8%) from the prior year primarily due to increases in personnel expenses due to a 2% cost of living adjustment, increases in retirement and healthcare costs, and a slight increase in the number of employees.

Business-Type Activities: Net position for business-type activities (sanitation and pier) increased by approximately \$472,000. Please see "Proprietary Fund" discussion in the following section for details.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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 ending fund balance of approximately \$5,282,000, a decrease of approximately \$90,000 compared to the prior year fund balance. Please see below and discussion in the General Fund Budgetary Highlights section for more information on this decrease.

Approximately 29% or \$1,545,000 of the total governmental fund balance of approximately \$5,282,000 constitutes unassigned fund balance. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it has already been set aside/constrained for (1) prepaids, inventories and advances to other funds (\$427,000; nonspendable), (2) victims services (\$45,000; restricted), (3) street improvements (\$594,000; restricted), (4) tourism related expenditures (\$666,000; restricted), (5) drug enforcement (\$22,000; restricted), (6) capital replacements (\$708,000; assigned), (7) land, meters, and parking (\$377,000; assigned), (8) beach renourishment (\$498,000; assigned) and (9) disaster recovery (\$400,000; assigned).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$3,384,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund (\$1,545,000) represents approximately 24% of total General Fund expenditures for the current year.

The fund balance for the General Fund decreased by approximately \$857,000, or 20%. This decrease was primarily due to the Town transferring the vehicle registration fees which are restricted for street improvements to the Capital Projects Fund during the current year.

In addition, the fund balances of the other governmental funds increased by approximately \$767,000, or 68%, over the prior year ending fund balances. This increase was primarily due to the Town transferring the vehicle registration fees which are restricted for street improvements to the Capital Projects Fund during the current year.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Net position of the Sanitation and Pier enterprise funds at the end of the fiscal year amounted to approximately \$3,722,000. Details on changes in the Town's proprietary funds were as follows:

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Proprietary Funds (Continued)

- Sanitation Fund – total sanitation operating revenues increased approximately \$19,000 or 1% from the prior year. Sanitation operating expenses increased approximately \$14,000 or 1% from the prior year. Net position decreased approximately \$410,000 as a result of an adjustment to beginning net position of approximately \$675,000 for the cumulative change in accounting principle related to the implementation of GASB #68 and GASB #71, as discussed previously. This decrease was partially offset by an approximate \$265,000 increase in net position from current year operations.
- Pier Fund – total operating revenues increased approximately \$59,000 or 16% from the prior year related to an increase in lease income. Operating expenses increased approximately \$25,000 or 15% mainly due to an increase in maintenance expenses.

Fiduciary Funds. The Firemen's Fund ("Agency Fund") is used to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by fire insurance companies. The Agency Fund is custodial in nature and does not present results of operations. The balance held in custody for others in the Agency Fund was approximately \$22,000 at June 30, 2015.

General Fund Budgetary Highlights. If budget amendments are made they generally fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. The Town's amendments to its original 2015 General Fund budget were as follows:

- Reducing intergovernmental revenues and capital outlay to reflect the transfer of vehicle registration fees and related street improvement expenditures to the Capital Projects Fund.

The Town's actual results for the General Fund were different than the final budgeted amounts primarily due to the following:

- Transfers out were higher than budgeted due to the Town transferring the fund balance restricted for street improvements to the Capital Projects Fund during the current year.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets as of June 30, 2015 and June 30, 2014, amounted to approximately \$17,707,000 and \$16,827,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, buildings, improvements, vehicles, machinery and equipment, and infrastructure. The Town's capital assets (net of depreciation) as of June 30, 2015 and 2014 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Land	\$ 2,375,722	2,375,722	1,508,771	1,508,771	3,884,493	\$ 3,884,493
Land Improvements	1,692,086	1,774,641	-	-	1,692,086	1,774,641
Buildings and Improvements	3,913,961	3,942,797	1,709,507	1,709,507	5,623,468	5,652,304
Machinery, Equipment & Vehicles	4,966,559	4,826,150	1,662,312	1,561,355	6,628,871	6,387,505
Infrastructure	7,235,304	6,000,798	-	-	7,235,304	6,000,798
Capital Assets (Historical Cost)	20,183,632	18,920,108	4,880,590	4,779,633	25,064,222	23,699,741
Accumulated Depreciation	6,220,023	5,717,110	1,136,752	1,155,746	7,356,775	6,872,856
Total	<u>\$ 13,963,609</u>	<u>13,202,998</u>	<u>3,743,838</u>	<u>3,623,887</u>	<u>17,707,447</u>	<u>\$ 16,826,885</u>

* Certain amounts have been reclassified to agree to the current year presentation.

The total increase in the Town's capital assets for the current fiscal year was approximately \$881,000 (5%). Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$1,680,000 for governmental activities which consisted primarily of the following:
 - Stormwater improvements of approximately \$643,000.
 - Street improvements of approximately \$578,000.
 - Purchases of various vehicles, equipment, and other capital assets of approximately \$459,000.
- Capital asset additions of approximately \$416,000 for business-type activities which consisted primarily of the following:
 - The purchase of two sanitation trucks totaling approximately \$391,000.
 - Purchases of various vehicles and equipment totaling approximately \$25,000.
- Depreciation expense of approximately \$889,000 for governmental activities and approximately \$259,000 for business-type activities.

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

Debt Administration

As of June 30, 2015 and June 30, 2014, the Town had lease purchase obligations outstanding of approximately \$439,000 and \$512,000, respectively. The decrease in the lease purchase obligations was due to scheduled principal payments. The Town had no other governmental activities debt outstanding during the current or prior year. The Town had no business-type activities debt outstanding as of June 30, 2015 or June 30, 2014.

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND 2016 BUDGET FOR THE TOWN

The Town's elected and appointed officials considered many factors when setting the fiscal year 2016 ("2016") budget, including 2015 tax rates and the fees that will be charged for our business-type activities.

The 2016 budget reflects the continuation of the underground utilities project on Ocean Boulevard and a road paving project on Surfside Drive.

The Town continues to offset tourism-related expenditures in the General Fund with transfers from tourism-related funds. The 2016 budget includes a total of approximately \$659,000 transferred to the General Fund to offset public safety and public works expenditures related to providing services to tourists.

Regarding 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 2016 will remain at the level set by Town Council in February 2013. Revenues available for appropriation in the Sanitation and Pier Fund budgets are \$1,358,300, and \$414,800 respectively. The Town will use these revenues to finance the sanitation services program and to maintain and improve the condition of the fishing pier.

REQUESTS FOR TOWN INFORMATION

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, or contact the Town's Finance Department at 115 Highway 17 North, Surfside Beach, South Carolina 29575, (843) 913-6336 or email finance@surfsidebeach.org.

Basic Financial Statements

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2015

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 3,270,846	1,061,682	\$ 4,332,528
Cash and Cash Equivalents, Restricted	1,136,205	-	1,136,205
Internal Balances	570,500	(570,500)	-
Receivables, Net	871,753	235,859	1,107,612
Inventories	1,677	-	1,677
Prepaid Assets	17,420	-	17,420
Capital Assets:			
Non-Depreciable	2,375,722	1,508,771	3,884,493
Depreciable, Net	11,587,887	2,235,067	13,822,954
TOTAL ASSETS	19,832,010	4,470,879	24,302,889
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	494,610	54,851	549,461
TOTAL DEFERRED OUTFLOWS OF RESOURCES	494,610	54,851	549,461
LIABILITIES			
Accounts Payable	283,419	37,048	320,467
Accrued Interest Payable	8,356	-	8,356
Accrued Salaries and Benefits	143,398	-	143,398
Unearned Revenues, Payable from Restricted Assets	49,471	-	49,471
Non-Current Liabilities:			
Net Pension Liability	4,767,950	684,641	5,452,591
Due Within One Year	266,281	21,563	287,844
Due in More Than One Year	486,289	2,335	488,624
TOTAL LIABILITIES	6,005,164	745,587	6,750,751
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	466,847	57,720	524,567
TOTAL DEFERRED INFLOWS OF RESOURCES	466,847	57,720	524,567
NET POSITION			
Net Investment in Capital Assets	13,524,728	3,173,338	16,698,066
Restricted For:			
Public Safety and Drug Enforcement	67,127	-	67,127
Street Improvements	594,543	-	594,543
Tourism Related Expenditures	678,281	-	678,281
Unrestricted	(1,010,070)	549,085	(460,985)
TOTAL NET POSITION	\$ 13,854,609	3,722,423	\$ 17,577,032

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,682,384	268,310	11,417	-	(1,402,657)	-	\$ (1,402,657)
Public Safety	3,483,746	219,411	1,690	-	(3,262,645)	-	(3,262,645)
Building and Zoning	255,968	148,039	-	-	(107,929)	-	(107,929)
Grounds	415,302	-	-	-	(415,302)	-	(415,302)
Street	1,197,025	-	-	432,514	(764,511)	-	(764,511)
Special Events	270,350	34,180	13,707	-	(222,463)	-	(222,463)
Interest on Long-Term Obligations	11,631	-	-	-	(11,631)	-	(11,631)
Total Governmental Activities	7,316,406	669,940	26,814	432,514	(6,187,138)	-	(6,187,138)
Business-Type Activities:							
Sanitation	1,056,417	1,368,295	1,000	-	-	312,878	312,878
Pier	204,967	441,532	-	-	-	236,565	236,565
Total Business-Type Activities	1,261,384	1,809,827	1,000	-	-	549,443	549,443
TOTAL - PRIMARY GOVERNMENT	\$ 8,577,790	2,479,767	27,814	432,514	(6,187,138)	549,443	(5,637,695)
General Revenues and Transfers:							
General Revenues							
Taxes:							
Property Taxes					3,003,056	-	3,003,056
Local Accomodations Taxes					165,672	-	165,672
Hospitality Taxes					768,475	-	768,475
Business Licenses					1,522,954	-	1,522,954
Franchise Fees					628,405	-	628,405
Intergovernmental Revenue					809,695	-	809,695
Investment Income					20,309	2,049	22,358
Gain on Sale of Assets					2,943	20,044	22,987
Miscellaneous					57,024	-	57,024
Transfers In (Out)					99,242	(99,242)	-
Total General Revenues and Transfers					7,077,775	(77,149)	7,000,626
CHANGE IN NET POSITION					890,637	472,294	1,362,931
NET POSITION, BEGINNING OF YEAR - As Previously Reported					17,903,386	3,720,026	21,623,412
Cumulative Change in Accounting Principle - See Note I.B					(4,734,317)	(674,994)	(5,409,311)
Prior Period Adjustment - See Note IV.D					(205,097)	205,097	-
NET POSITION, BEGINNING OF YEAR - As Restated					12,963,972	3,250,129	16,214,101
NET POSITION, END OF YEAR					13,854,609	3,722,423	\$ 17,577,032

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>GENERAL</u>	<u>ACCOMMODATIONS TAX FUND</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,700,678	-
Cash and Cash Equivalents, Restricted	41,847	35,797
Receivables, Net	523,339	152,430
Due From Other Funds	218,745	-
Advances To Other Funds	407,500	-
Inventories	1,677	-
Prepaid Assets	4,920	12,500
TOTAL ASSETS	<u>3,898,706</u>	<u>200,727</u>
LIABILITIES		
Accounts Payable	219,419	53,585
Accrued Salaries and Benefits	143,398	-
Due To Other Funds	-	55,745
Unearned Revenues Payable from Restricted Assets:		
Bail Bonds	41,847	-
Drug Funds	-	-
TOTAL LIABILITIES	<u>404,664</u>	<u>109,330</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	110,231	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>110,231</u>	<u>-</u>
FUND BALANCES		
Nonspendable:		
Prepaid and Inventories	6,597	12,500
Advances	407,500	-
Restricted For:		
Victim's Advocate	45,159	-
Street Improvements	-	-
Tourism Related Expenditures	-	78,897
Drug Enforcement Program	-	-
Assigned For:		
Capital Replacements	602,928	-
Land, Meters, and Parking Purposes	377,073	-
Disaster Recovery	400,000	-
Beach Renourishment	-	-
Unassigned	1,544,554	-
TOTAL FUND BALANCES	<u>\$ 3,383,811</u>	<u>91,397</u>

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

HOSPITALITY FUND	LOCAL ACCOMMODATIONS TAX FUND	CAPITAL PROJECTS FUND	POLICE DRUG FUND	TOTAL GOVERNMENTAL FUNDS
-	-	570,168	-	\$ 3,270,846
433,689	737	594,543	29,592	1,136,205
127,642	32,062	36,280	-	871,753
-	-	-	-	218,745
-	-	-	-	407,500
-	-	-	-	1,677
-	-	-	-	17,420
561,331	32,799	1,200,991	29,592	5,924,146
6,102	1,144	3,169	-	283,419
-	-	-	-	143,398
-	-	-	-	55,745
-	-	-	-	41,847
-	-	-	7,624	7,624
6,102	1,144	3,169	7,624	532,033
-	-	-	-	110,231
-	-	-	-	110,231
-	-	-	-	19,097
-	-	-	-	407,500
-	-	-	-	45,159
-	-	594,543	-	594,543
555,229	31,655	-	-	665,781
-	-	-	21,968	21,968
-	-	105,461	-	708,389
-	-	-	-	377,073
-	-	-	-	400,000
-	-	497,818	-	497,818
-	-	-	-	1,544,554
555,229	31,655	1,197,822	21,968	\$ 5,281,882



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 5,281,882
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets was \$20,183,632 and the accumulated depreciation was \$6,220,023.	13,963,609
Property taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the governmental funds.	110,231
The Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(4,740,187)
Accrued interest on the long-term obligations of governmental activities is not due or payable in the current period and therefore is not reported as a liability in the governmental funds.	(8,356)
Long-term liabilities, including capital leases, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Capital Leases	(438,881)
Compensated Absence Obligations	(313,689)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 13,854,609</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	GENERAL FUND	ACCOMMODATIONS TAX FUND
REVENUES		
Property Taxes	\$ 2,893,352	-
Hospitality Taxes	-	-
Local Accommodations Taxes	-	-
Licenses and Permits	1,670,993	-
Franchise Fees	628,405	-
Fines and Forfeitures	148,449	-
Parking Meters	255,683	-
Intergovernmental	218,007	615,327
Other	127,516	5,894
TOTAL REVENUES	5,942,405	621,221
EXPENDITURES		
Current:		
General Government	1,268,985	-
Public Safety	2,855,754	121,184
Building and Zoning	249,143	-
Grounds	314,371	-
Street	841,232	-
Intergovernmental Maintenance	138,607	-
Special Events	211,343	34,758
Nondepartmental	119,848	194,743
Capital Outlay	281,443	41,329
Debt Service:		
Principal	73,147	-
Interest	13,087	-
TOTAL EXPENDITURES	6,366,960	392,014
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(424,555)	229,207
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	20,000	13,968
Transfers In	616,958	-
Transfers Out	(1,069,707)	(264,892)
TOTAL OTHER FINANCING SOURCES (USES)	(432,749)	(250,924)
NET CHANGES IN FUND BALANCES	(857,304)	(21,717)
FUND BALANCES, BEGINNING OF YEAR	4,241,115	113,114
FUND BALANCES, END OF YEAR	\$ 3,383,811	91,397

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

HOSPITALITY FUND	LOCAL ACCOMMODATIONS TAX FUND	CAPITAL PROJECTS FUND	POLICE DRUG FUND	TOTAL GOVERNMENTAL FUNDS
-	-	73,193	-	\$ 2,966,545
768,475	-	-	-	768,475
-	165,672	-	-	165,672
-	-	-	-	1,670,993
-	-	-	-	628,405
-	-	-	-	148,449
-	-	-	-	255,683
-	-	441,544	49,491	1,324,369
4,806	122	1,407	11	139,756
773,281	165,794	516,144	49,502	8,068,347
-	-	-	-	1,268,985
34,257	-	-	38,492	3,049,687
-	-	-	-	249,143
21,662	-	44,513	-	380,546
-	-	18,047	-	859,279
-	-	-	-	138,607
1,465	-	-	-	247,566
-	-	44,854	-	359,445
86,514	-	1,234,506	8,682	1,652,474
-	-	-	-	73,147
-	-	-	-	13,087
143,898	-	1,341,920	47,174	8,291,966
629,383	165,794	(825,776)	2,328	(223,619)
-	-	-	-	33,968
-	-	1,398,807	-	2,015,765
(400,100)	(181,824)	-	-	(1,916,523)
(400,100)	(181,824)	1,398,807	-	133,210
229,283	(16,030)	573,031	2,328	(90,409)
325,946	47,685	624,791	19,640	5,372,291
555,229	31,655	1,197,822	21,968	\$ 5,281,882



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (90,409)
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Property tax revenues that do not provide current financial resources are not reported as revenues in the governmental funds. They are considered revenues in the Statement of Activities.	36,511
Repayment of capital lease liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	73,147
Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	1,456
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.	115,191
Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year related to its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities.	(5,870)
In the Statement of Activities the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(31,025)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital additions of \$1,680,292 exceeded depreciation expense of \$888,656 in the current period.	<u>791,636</u>
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 890,637</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS

JUNE 30, 2015

	SANITATION ENTERPRISE FUND	PIER ENTERPRISE FUND	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 684,074	377,608	\$ 1,061,682
Accounts Receivable, Net	235,859	-	235,859
Total Current Assets	<u>919,933</u>	<u>377,608</u>	<u>1,297,541</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	-	1,508,771	1,508,771
Depreciable, Net	1,041,605	1,193,462	2,235,067
Total Non-Current Assets	<u>1,041,605</u>	<u>2,702,233</u>	<u>3,743,838</u>
TOTAL ASSETS	<u>1,961,538</u>	<u>3,079,841</u>	<u>5,041,379</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	54,851	-	54,851
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>54,851</u>	<u>-</u>	<u>54,851</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	30,588	6,460	37,048
Due To Other Funds	-	163,000	163,000
Current Portion of Compensated Absences	21,563	-	21,563
Total Current Liabilities	<u>52,151</u>	<u>169,460</u>	<u>221,611</u>
Non-Current Liabilities:			
Compensated Absences, Less Current Portion	2,335	-	2,335
Advances From Other Fund	-	407,500	407,500
Net Pension Liability	684,641	-	684,641
Total Long-Term Liabilities	<u>686,976</u>	<u>407,500</u>	<u>1,094,476</u>
TOTAL LIABILITIES	<u>739,127</u>	<u>576,960</u>	<u>1,316,087</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	57,720	-	57,720
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>57,720</u>	<u>-</u>	<u>57,720</u>
NET POSITION			
Net Investment in Capital Assets	1,041,605	2,131,733	3,173,338
Unrestricted	177,937	371,148	549,085
TOTAL NET POSITION	<u>\$ 1,219,542</u>	<u>2,502,881</u>	<u>\$ 3,722,423</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	SANITATION ENTERPRISE FUND	PIER ENTERPRISE FUND	TOTAL
OPERATING REVENUES			
Charges for Services	\$ 1,368,295	441,532	\$ 1,809,827
TOTAL OPERATING REVENUES	1,368,295	441,532	1,809,827
OPERATING EXPENSES			
Personnel Services and Related Expenses	484,516	-	484,516
Maintenance and Service Contracts	364,073	43,699	407,772
Materials and Supplies	20,311	-	20,311
Repairs and Maintenance	1,327	15,957	17,284
Depreciation	142,473	116,294	258,767
Other Operating Expenses	43,717	15,569	59,286
TOTAL OPERATING EXPENSES	1,056,417	191,519	1,247,936
OPERATING INCOME (LOSS)	311,878	250,013	561,891
NON-OPERATING REVENUES (EXPENSES)			
Interest Earnings	1,581	468	2,049
Grant Revenue	1,000	-	1,000
Interest Expense	-	(13,448)	(13,448)
Gain on Sale of Assets	20,044	-	20,044
TOTAL NON-OPERATING REVENUES (EXPENSES)	22,625	(12,980)	9,645
INCOME (LOSS) BEFORE TRANSFERS	334,503	237,033	571,536
Transfers Out	(70,000)	(29,242)	(99,242)
CHANGE IN NET POSITION	264,503	207,791	472,294
NET POSITION, BEGINNING OF YEAR - As Previously Reported	1,630,033	2,295,090	3,925,123
Cumulative Change in Accounting Principle - See Note I.B	(674,994)	-	(674,994)
NET POSITION, BEGINNING OF YEAR - As Restated	955,039	2,295,090	3,250,129
NET POSITION, END OF YEAR	\$ 1,219,542	2,502,881	\$ 3,722,423

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	SANITATION ENTERPRISE FUND	PIER ENTERPRISE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,357,607	462,272	\$ 1,819,879
Payments to Suppliers for Goods and Services	(425,856)	(74,397)	(500,253)
Payments for Personal Services	(470,724)	-	(470,724)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>461,027</u>	<u>387,875</u>	<u>848,902</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental Grants	74,529	-	74,529
Transfers to Other Funds	(70,000)	(29,242)	(99,242)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>4,529</u>	<u>(29,242)</u>	<u>(24,713)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(408,731)	(7,284)	(416,015)
Proceeds on Sale of Capital Assets	57,341	-	57,341
Repayment of Interfund Loan	-	(163,000)	(163,000)
Interest Payments on Interfund Loan	-	(13,448)	(13,448)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(351,390)</u>	<u>(183,732)</u>	<u>(535,122)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	1,581	468	2,049
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,581</u>	<u>468</u>	<u>2,049</u>
NET INCREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS	115,747	175,369	291,116
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	<u>568,327</u>	<u>202,239</u>	<u>770,566</u>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 684,074</u>	<u>377,608</u>	<u>\$ 1,061,682</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:			
Operating Income	\$ 311,878	250,013	\$ 561,891
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:			
Depreciation Expense	142,473	116,294	258,767
Change in Accounts Representing Operating Activities:			
Accounts Receivable	(10,688)	20,740	10,052
Accounts Payable	3,572	828	4,400
Compensated Absences	1,276	-	1,276
Net Pension Liability	(28,622)	-	(28,622)
Deferred Pension Charges	(16,582)	-	(16,582)
Deferred Pension Credits	57,720	-	57,720
Net Cash Provided by Operating Activities	<u>\$ 461,027</u>	<u>387,875</u>	<u>\$ 848,902</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND

YEAR ENDED JUNE 30, 2015

	FIREMEN'S FUND
ASSETS	
Cash and Cash Equivalents	\$ 21,925
TOTAL ASSETS	\$ 21,925
LIABILITIES	
Due to Firemen's Association	\$ 21,925
TOTAL LIABILITIES	\$ 21,925

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

The Town of Surfside Beach ("Town") was incorporated in 1964 as a municipal corporation and as such possesses all the general powers granted by the Constitution and laws of the State of South Carolina to municipal corporations. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The Town operates under the Council-Administrator form of government. The Council is composed of six Council 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, and, as such, administers the daily operations of the Town through appointed department heads.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

As required by GAAP, the financial statements must present the Town's financial information with any of its component units (if significant). The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town does not have any significant component units.

Major Operations

The Town's major operations include: general government, public safety (police and fire), building and zoning, grounds, street, culture and recreation, sanitation, and pier.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the “Primary Government”). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

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

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

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

The Town implemented GASB Statement No. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” (“GASB #68”) and GASB Statement No. 71 “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*” (“GASB #71”) and collectively “Statements”) in 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB’s intention that these Statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Town’s financial obligations to current and former employees for past services rendered. In particular, these Statements require the Town to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System (“Plans”), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statements of Net Position) and present more extensive note disclosures.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The adoption of these Statements had no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority ("PEBA") who administers the Plans. However, the adoption has resulted in the restatement of the Town's net position as of July 1, 2014 for its government-wide and Sanitation Fund financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the Town's government-wide and Sanitation Fund financial statements as of July 1, 2014 was decreased by approximately \$5,409,000 and \$675,000, respectively, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B for more information regarding the Town's retirement plans.

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. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers its revenues to be available if they are generally 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 payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

Governmental Fund Types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related balance sheet items (except for those accounted for in the Proprietary Funds and Fiduciary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The Town's governmental fund types and major and non-major funds are as follows:

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- The *Accommodations Tax Fund, a major fund* and a budgeted fund, is used to account for state funds related to accommodations tax revenue and for disbursements for tourism related activities.
- The *Hospitality Fund, a major fund* and a budgeted fund, is used to account for the Town's 1% hospitality tax applied to accommodations and food and beverage sales and for disbursements for 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, a major fund* and a budgeted fund, is used to account for the Town's ½% accommodations tax applied to rentals of transient accommodations and for disbursements for tourism activities.

The *Capital Projects Fund, a major fund* and a budgeted fund, is used to account for the acquisition or construction of major capital facilities.

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Town does not have any internal service funds and has two enterprise funds.

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

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

- The *Sanitation Fund, a major fund*, is used to account for assets and activities of the Town's sanitation collection operations. All costs are financed through charges to utility customers.
- The *Pier Fund, a major fund*, is used to account for assets and activities of the Town's pier. All costs are financed through admission charges to the pier from the general public and rentals from businesses that operate on the pier.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary Fund Types include the *Agency Fund*. This fund is used to account for assets held by the Town in a trustee capacity for individuals, other governments, and/or other funds and are accounted for in essentially the same manner as Proprietary Funds. Agency funds are generally used to account for miscellaneous assets that the government holds on behalf of others. The *Firemen's Fund* is used to account for insurance premium rebates remitted by the State Treasurer to be expended for the collective benefit and enjoyment of the Town firefighters. The Agency Fund is custodial in nature and does not present results of operations.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

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

- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash and investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices.

2. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including business licenses, hospitality taxes, sanitation, pier admission charges, and other fees and charges.

3. Inventories and Prepaid Items

Inventories of materials, supplies and gasoline are stated at cost, generally on a first-in/first-out basis. The costs of inventories and prepaid items are accounted for using the consumption method (expensed when consumed).

4. Capital Assets

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

The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated fair market value (as estimated by the Town) at the date of donation.

Public domain ("infrastructure") general capital assets, consist of the road network (roads, bridges, curbs and gutters, streets, and sidewalks) assets that were acquired or that received substantial improvements. These assets are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

4. Capital Assets (Continued)

Interest costs related to Proprietary Fund construction is capitalized as part of the capitalized value of the asset constructed. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds.

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

Land Improvements	20 - 30 years
Buildings and Improvements	10 - 40 years
Infrastructure	20 - 30 years
Machinery, Equipment, and Vehicles	5 - 20 years

5. Compensated Absences

It is the Town's policy to permit employees to accumulate paid vacation that may be used for vacation or personal time off. Upon separation from the Town, an employee is entitled to reimbursement of accumulated vacation time up to a maximum of 360 hours. Employees may also accrue up to 720 hours of sick time that may be used only for personal illness, the illness of a spouse or child, or for health-related appointments. Sick time is not paid out upon separation from employment.

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Accumulated vacation time is accrued based on each employee's current pay rate. The entire compensated absence liability and expense is reported in the government-wide financial statements. The portion applicable to the Town's enterprise activities is also recorded in the Proprietary Funds financial statements. Governmental funds will only recognize compensated absences liability if they have matured, for example, as a result of employee resignations or retirements.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt or lease purchase issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term liabilities that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

7. *Deferred Outflows and Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of deferred outflows of resources. The Town reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The Town also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. *Fund Balance*

In accordance with GAAP, the Town classifies its governmental fund balances as follows:

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

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

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

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made by an approved motion by Town Council before the report issuance date.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. *Fund Balance (Continued)*

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

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

The Town's Council has formally adopted a fund balance policy whereby the unassigned fund balance for the General Fund should be no less than four months of General Fund expenditures.

9. *Net Position*

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

10. *Pensions*

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

11. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

12. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

13. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town has elected to present its budgetary comparison information for the General Fund and each major special revenue fund as separate schedules and not as basic financial statements. See the notes to the budgetary comparison schedules (following the notes to the financial statements) for details regarding the Town's budgetary information and process.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits

Certain deposits of the Town are legally restricted for specified purposes. The major type of restrictions at June 30, 2015 were those imposed by the revenue source (i.e. hospitality fees, accommodation taxes, grants, etc.).

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2015, none of the Town's bank balances of approximately \$5,671,000 (with a carrying value of approximately \$5,491,000) were exposed to custodial credit risk.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

A. Deposits (Continued)

Reconciliation to the Financial Statements

A reconciliation of cash and cash equivalents as shown in the statements of net position for all activities is as follows:

Statement of Net Position	Amount
Cash and Cash Equivalents	\$ 4,332,528
Cash and Cash Equivalents, Restricted	1,136,205
<hr/>	
Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund	
Cash and Cash Equivalents	21,925
Total per the Financial Statements	\$ 5,490,658
<hr/>	
Notes	Amount
Carrying Value of Deposits	\$ 5,490,658
Total per the Notes	\$ 5,490,658

B. Receivables and Unavailable/Unearned Revenues

Property Taxes

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes for the past ten years, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable at year end, except those collected within 60 days, are recorded as unavailable tax revenue and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Horry County. The County levies its real property taxes each September based upon current assessed valuation. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in September on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on January 16th at 3%, on February 2nd for an additional 7%, and on March 17th for an additional 5%.

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction on the first Monday of October, November or December of each year. Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

The Town's fiscal year 2015 real and personal property taxes (which were for tax year 2014) were levied in October 2014 based on a millage rate of 46.2 mills. The Town's assessed value of real and personal property (including vehicles) was approximately \$64.1 million for tax year 2014.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

B. Receivables and Unavailable/Unearned Revenues (Continued)

The Town's receivable balances as of June 30, 2015 consisted of the following:

Description	General Fund	Accom Tax Fund	Hospitality Fund	Local Accom Tax Fund	Capital Projects Fund	Sanitation Fund	Totals
Property Taxes	\$ 194,967	-	-	-	-	-	\$ 194,967
Accommodations Taxes	-	-	-	32,062	-	-	32,062
Hospitality Taxes	-	-	127,642	-	-	-	127,642
Business Licenses	377,807	-	-	-	-	-	377,807
Intergovernmental	28,363	152,430	-	-	-	-	180,793
Accounts	-	-	-	-	-	237,923	237,923
Other	-	-	-	-	36,280	-	36,280
Less: Allowance	(77,798)	-	-	-	-	(2,064)	(79,862)
Net Receivables	<u>\$ 523,339</u>	<u>152,430</u>	<u>127,642</u>	<u>32,062</u>	<u>36,280</u>	<u>235,859</u>	<u>\$ 1,107,612</u>

Unavailable and Unearned Revenues

Governmental funds report as a component of deferred inflows of resources revenues that are not considered to be available to liquidate liabilities (unavailable revenue) of the current period. As of June 30, 2015, the General Fund had approximately \$110,000 in revenue related to property taxes that was not available (unavailable revenue – property taxes).

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Outstanding balances between funds generally result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund balances at June 30, 2015, consisted of the following individual fund receivables and payables. With the exception of the Advance owed by the Pier Fund to the General Fund, all balances are expected to be repaid within one year.

Fund	Receivables	Payables
General Fund - Current	\$ 218,745	\$ -
General Fund - Advance	407,500	-
Accommodations Tax Fund	-	55,745
Pier Fund - Current	-	163,000
Pier Fund - Advance	-	407,500
	<u>\$ 626,245</u>	<u>\$ 626,245</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

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

Interfund Receivables and Payables (Continued)

The amount payable to the General Fund from the Pier Fund represents a long-term loan to finance the purchase of the Surfside Pier. The loan was authorized by Town Council in September 2008 to be repaid over a term of ten years in annual installments of \$163,000 plus interest at 2%. During fiscal year 2011, Town Council adopted a resolution to defer principal payments for two years and resume payments as scheduled thereafter. In January 2014, the Pier Fund began making quarterly installment payments of \$40,750 plus interest. The principal balance expected to be repaid within one year is \$163,000.

Interfund Transfers

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town uses transfers to move unrestricted receipts so that they may be used for various programs in other funds. During the year ended June 30, 2015, the Town transferred vehicle registration fees collected in prior years and restricted for street improvements from the General Fund to the Capital Projects Fund. The Town also transferred funds from the General Fund, Accommodations Tax Fund, Local Accommodations Tax Fund, and Hospitality Fund to the Capital Projects Fund for future capital improvements and beach renourishment. The Town transferred funds to the General Fund from the Accommodations Tax Fund, Hospitality Fund, Local Accommodations Tax Fund, Sanitation Fund, and Pier Fund in accordance to support various programs and services of the Town.

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 616,958	\$ 1,069,707
Accommodations Tax Fund	-	264,892
Hospitality Fund	-	400,100
Local Accommodations Tax Fund	-	181,824
Capital Projects Fund	1,398,807	-
Sanitation Fund	-	70,000
Pier Fund	-	29,242
	<u>\$ 2,015,765</u>	<u>\$ 2,015,765</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

D. Capital Assets

Capital asset activity for the Town’s governmental activities for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 2,375,722	-	-	-	\$ 2,375,722
Total Capital Assets, Non-Depreciable	<u>2,375,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,375,722</u>
Capital Assets, Depreciable:					
Land Improvements	1,774,641	-	82,555	-	1,692,086
Buildings and Improvements	3,942,797	-	28,836	-	3,913,961
Machinery, Equipment & Vehicles	4,826,150	445,786	305,377	-	4,966,559
Infrastructure	6,000,798	1,234,506	-	-	7,235,304
Total Capital Assets, Depreciable	<u>16,544,386</u>	<u>1,680,292</u>	<u>416,768</u>	<u>-</u>	<u>17,807,910</u>
Less: Accumulated Depreciation for:					
Land Improvements	508,360	79,854	23,478	-	564,736
Buildings and Improvements	1,045,935	103,403	25,546	-	1,123,792
Machinery, Equipment & Vehicles	2,580,865	450,017	336,719	-	2,694,163
Infrastructure	1,581,950	255,382	-	-	1,837,332
Total Accumulated Depreciation	<u>5,717,110</u>	<u>888,656</u>	<u>385,743</u>	<u>-</u>	<u>6,220,023</u>
Total Capital Assets, Depreciable, Net	<u>10,827,276</u>	<u>791,636</u>	<u>31,025</u>	<u>-</u>	<u>11,587,887</u>
Capital Assets, Net	<u>\$ 13,202,998</u>	<u>791,636</u>	<u>31,025</u>	<u>-</u>	<u>\$ 13,963,609</u>

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ -	\$ 296,758
Public Safety	159,165	301,221
Building and Zoning	5,404	2,385
Grounds	12,875	43,858
Street	797,766	223,216
Culture and Recreation	16,701	21,218
Intergovernmental Maintenance	688,381	-
Total - Governmental Activities	<u>\$ 1,680,292</u>	<u>\$ 888,656</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

D. Capital Assets (Continued)

Capital asset activity for the Town’s business-type activities for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Non-Depreciable:					
Land	\$ 1,508,771	-	-	-	\$ 1,508,771
Total Capital Assets, Non-Depreciable	<u>1,508,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,508,771</u>
Capital Assets, Depreciable:					
Buildings and Improvements	1,709,507	-	-	-	1,709,507
Machinery, Equipment and Vehicles	1,561,355	416,015	315,058	-	1,662,312
Total Capital Assets, Depreciable	<u>3,270,862</u>	<u>416,015</u>	<u>315,058</u>	<u>-</u>	<u>3,371,819</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	399,885	108,521	-	-	508,406
Machinery, Equipment and Vehicles	755,861	150,246	277,761	-	628,346
Total Accumulated Depreciation	<u>1,155,746</u>	<u>258,767</u>	<u>277,761</u>	<u>-</u>	<u>1,136,752</u>
Total Capital Assets, Depreciable, Net	<u>2,115,116</u>	<u>157,248</u>	<u>37,297</u>	<u>-</u>	<u>2,235,067</u>
Capital Assets, Net	<u>\$ 3,623,887</u>	<u>157,248</u>	<u>37,297</u>	<u>-</u>	<u>\$ 3,743,838</u>

Capital asset additions and depreciation expense for business-type activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Sanitation	\$ 408,731	\$ 142,473
Pier	7,284	116,294
Total - Business-Type Activities	<u>\$ 416,015</u>	<u>\$ 258,767</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

E. Long-Term Obligations

In October 2010, the Town entered into a lease agreement as lessee for financing the acquisition of a fire truck for approximately \$731,000. The lease term includes ten annual principal payments of \$73,147 plus interest at 2.52% beginning October 2011 through October 2020. The vehicle has an estimated useful life of fifteen years. As of June 30, 2015, the net book value of the vehicle was approximately \$527,000, including accumulated depreciation of approximately \$212,000. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2016	\$ 73,147	11,213	\$ 84,360
2017	73,147	9,370	82,517
2018	73,147	7,476	80,623
2019	73,147	5,607	78,754
2020	73,147	3,738	76,885
2021	73,146	1,874	75,020
Totals	<u>\$ 438,881</u>	<u>39,278</u>	<u>\$ 478,159</u>

Presented below is a summary of changes in long-term obligations for the Town's governmental and business-type activities for the year ended June 30, 2015:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	\$ 512,028	-	73,147	438,881	\$ 73,147
Compensated Absences	443,386	143,290	272,987	313,689	193,134
Total Governmental Activities	<u>\$ 955,414</u>	<u>143,290</u>	<u>346,134</u>	<u>752,570</u>	<u>\$ 266,281</u>
Business-Type Activities:					
Compensated Absences	\$ 22,622	21,688	20,412	23,898	\$ 21,563
Total Business-Type Activities	<u>\$ 22,622</u>	<u>21,688</u>	<u>20,412</u>	<u>23,898</u>	<u>\$ 21,563</u>

Resources from the General Fund have been utilized to liquidate the governmental activities long-term obligations. The business-type activities long-term obligations are normally liquidated by the Sanitation Fund.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

F. Operating Leases

In January 2012, the Town entered into a non-cancelable operating lease agreement as lessor of building (restaurant) facilities on the pier to Atlantic Restaurant Group, LLC. The lease is for a period of five years with an option to extend for three consecutive periods of five years each. The lease terms include annual base rent of \$50,000 for 2012. Base rent increases by \$2,500 annually through the second 5-year lease term. As part of the agreement, the lessee receives a prorated annual credit of the total cost of capital leasehold improvements made to the property.

In February 2008, the Town entered into a non-cancelable operating lease agreement as lessor of building facilities on the pier to Pier Outfitters, Inc. The initial lease was for a period of five years with an option for an automatic extension through December 31, 2017. The lease terms include annual base rent of \$50,000 in addition to a percentage of gross sales.

Future minimum base rental income payments on non-cancellable leases are as follows:

<u>Year Ended June 30,</u>	<u>Minimum Lease Payments</u>
2016	\$ 89,167
2017	78,333
2018	<u>30,000</u>
	<u>\$ 197,500</u>

As of June 30, 2015, the net book value of the leased facilities was approximately \$849,000, including accumulated depreciation of approximately \$382,000.

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”) and the South Carolina Municipal Insurance Trust (“SCMIT”), which are public entity risk pools currently operating as a common risk management and insurance program for general risk insurance and workers compensation, respectively.

The Town pays an annual premium to SCMIRF for its general risk insurance. For the year ended June 30, 2015, the Town made premium payments totaling approximately \$200,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net assets/position from its most recently issued audited financial statements at December 31, 2014, totaled approximately \$21,590,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The Town pays an annual premium to SCMIT for its workers compensation insurance. For the year ended June 30, 2015, the Town made premium payments totaling approximately \$193,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net assets/position from its most recently issued audited financial statements at December 31, 2014, totaled approximately \$52,879,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans

The Town participates in the State of South Carolina's retirement plans which are administered by the PEBA, which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one half of one percent per year.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

As noted above, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town’s contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees’ annual eligible compensation as follows for the past three years:

	SCRS Rates			PORS Rates		
	2013	2014	2015	2013	2014	2015
Employer Rate:						
Retirement	10.45%	10.45%	10.75%	11.90%	12.44%	13.01%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
	<u>10.60%</u>	<u>10.60%</u>	<u>10.90%</u>	<u>12.10%</u>	<u>12.64%</u>	<u>13.21%</u>
Employee Rate	<u>7.00%</u>	<u>7.50%</u>	<u>8.00%</u>	<u>7.00%</u>	<u>7.84%</u>	<u>8.41%</u>

The required contributions and percentages of amounts contributed by the Town to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2015	\$ 206,138	100%	\$ 192,229	100%
2014	189,294	100%	166,664	100%
2013	\$ 185,042	100%	\$ 149,592	100%

Eligible payrolls of the Town covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2015	\$ 1,891,178	1,455,177	\$ 3,346,355
2014	1,785,789	1,318,548	3,104,337
2013	\$ 1,745,679	1,236,297	\$ 2,981,976

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA’s consulting actuary, Gabriel, Roeder, Smith and Company.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The net pension liability (“NPL”) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. For the year ended June 30, 2014, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 42,955,205,796	25,738,521,026	\$ 17,216,684,770	59.92%
PORS	\$ 5,899,529,434	3,985,101,996	\$ 1,914,427,438	67.55%

At June 30, 2015, the Town reported total net pension liability of approximately \$5,453,000 which consisted of approximately \$3,387,000 and \$2,066,000 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2013 that was projected forward to the measurement date. The Town’s proportions of the net pension liabilities were based on a projection of the Town’s long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2014, the Town’s SCRS proportion was .019670 percent, which was unchanged from its proportion measured as of June 30, 2013. At June 30, 2014, the Town’s PORS proportion was .10792 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of approximately \$237,000 and \$181,000 for the SCRS and PORS, respectively. At June 30, 2015, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS:		
Differences Between Expected and Actual Experience	\$ 95,960	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	285,508
Town's Contributions Subsequent to the Measurement Date	206,138	-
Total SCRS	302,098	285,508
PORS:		
Differences Between Expected and Actual Experience	55,134	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	239,059
Town's Contributions Subsequent to the Measurement Date	192,229	-
Total PORS	247,363	239,059
Total SCRS and PORS	\$ 549,461	\$ 524,567

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Approximately \$206,000 and \$192,000 that were reported as deferred outflows of resources related to the Town’s contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2016	\$ 41,696	45,467	\$ 87,163
2017	41,696	45,467	87,163
2018	41,696	45,467	87,163
2019	64,460	47,524	111,984
Total	\$ 189,548	183,925	\$ 373,473

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2013, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Salary Increases	Levels off at 3.5%	Levels off at 4.0%
Includes Inflation at	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (“RSIC”) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds’ assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	.03%	0.01%
Short Duration	3%	.60%	0.02%
Domestic Fixed Income	13%		
Core Fixed Income	7%	1.10%	0.08%
High Yield	2%	3.50%	0.07%
Bank Loans	4%	2.80%	0.11%
Global Fixed Income	9%		
Global Fixed Income	3%	0.80%	0.02%
Emerging Markets Debt	6%	4.10%	0.25%
Global Public Equity	31%	7.80%	2.42%
Global Tactical Asset Allocation Alternatives	10%	5.10%	0.51%
	32%		
Hedge Funds (Low Beta)	8%	4.00%	0.32%
Private Debt	7%	10.20%	0.71%
Private Equity	9%	10.20%	0.92%
Real Estate (Broad Market)	5%	5.90%	0.29%
Commodities	3%	5.10%	0.15%
Total Expected Real Return	100%		5.88%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.63%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of the Town's proportionate share of the net pension liabilities of the Plans as of June 30, 2014 to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability of the SCRS	\$ 4,382,369	3,386,522	\$ 2,555,700
Town's proportionate share of the net pension liability of the PORS	\$ 2,887,278	2,066,069	\$ 1,386,587

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payable to Plans

The Town reported payables of approximately \$28,000 and \$26,000 to the PEBA as of June 30, 2015, representing required employer and employee contributions for the month of June 2015 for the SCRS and PORS, respectively. These amounts are included in Accrued Salaries and Benefits on the financial statements and were paid in July 2015.

C. Contingent Liabilities and Commitments

Litigation

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

Grants

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Town. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2015.

D. Prior Period Restatements

As of June 30, 2014, the Town overstated internal balances (receivables) for the governmental activities and internal balances (payables) for the business-type activities by approximately \$205,100 each. These misstatements were corrected in the financial statements for the year ended June 30, 2015 through adjustments to beginning net position.

E. Subsequent Events

In July 2015, the Town purchased land (three lots) on 3rd Avenue and Willow Drive at a cost of \$330,000 for the purpose of historical preservation.

Required Supplementary Information

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 2,770,325	2,770,325	2,893,352	\$ 123,027
Franchise Fees	625,900	625,900	628,405	2,505
Licenses and Permits	1,552,500	1,552,500	1,670,993	118,493
Fines and Forfeitures	151,500	151,500	148,449	(3,051)
Parking Meters	223,045	223,045	255,683	32,638
Intergovernmental	497,320	182,320	218,007	35,687
Other	122,250	122,250	127,516	5,266
TOTAL REVENUES	5,942,840	5,627,840	5,942,405	314,565
EXPENDITURES				
Current:				
General Government	1,290,890	1,274,890	1,268,985	5,905
Public Safety	2,882,270	2,857,070	2,855,754	1,316
Building and Zoning	287,185	249,685	249,143	542
Grounds	296,720	317,920	314,371	3,549
Street	799,990	841,990	841,232	758
Intergovernmental Maintenance	140,945	144,945	138,607	6,338
Special Events	232,530	217,530	211,343	6,187
Nondepartmental	109,220	120,220	119,848	372
Capital Outlay	740,250	290,750	281,443	9,307
Debt Service:				
Principal	73,147	73,147	73,147	-
Interest and Bank Fees	13,083	13,083	13,087	(4)
TOTAL EXPENDITURES	6,866,230	6,401,230	6,366,960	34,270
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(923,390)	(773,390)	(424,555)	348,835
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	20,000	20,000
Transfers In	598,650	598,650	616,958	18,308
Transfers Out	(300,000)	(1,069,707)	(1,069,707)	-
TOTAL OTHER FINANCING SOURCES (USES)	298,650	(471,057)	(432,749)	38,308
NET CHANGE IN FUND BALANCES	(624,740)	(1,244,447)	(857,304)	387,143
FUND BALANCES, BEGINNING OF YEAR	4,241,115	4,241,115	4,241,115	-
FUND BALANCES, END OF YEAR	\$ 3,616,375	2,996,668	3,383,811	\$ 387,143

Note: The Town's original and final budget reflected an expected use of fund balance of \$624,740 and \$1,244,447, respectively.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - ACCOMMODATIONS TAX FUND

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

YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Intergovernmental	\$ 520,000	602,000	615,327	\$ 13,327
Miscellaneous	300	300	5,894	5,594
TOTAL REVENUES	520,300	602,300	621,221	18,921
EXPENDITURES				
Current:				
Public Safety	27,945	122,945	121,184	1,761
Special Events	35,300	35,300	34,758	542
Nondepartmental	195,075	195,075	194,743	332
Capital Outlay	13,500	41,500	41,329	171
TOTAL EXPENDITURES	271,820	394,820	392,014	2,806
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	248,480	207,480	229,207	21,727
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	13,968	13,968
Transfers Out	(278,150)	(278,150)	(264,892)	13,258
TOTAL OTHER FINANCING SOURCES (USES)	(278,150)	(278,150)	(250,924)	27,226
NET CHANGE IN FUND BALANCES	(29,670)	(70,670)	(21,717)	48,953
FUND BALANCES, BEGINNING OF YEAR	113,114	113,114	113,114	-
FUND BALANCES, END OF YEAR	\$ 83,444	42,444	91,397	\$ 48,953

Note: The Town's original and final budget reflected an expected use of fund balance of \$29,670 and \$70,670, respectively.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - HOSPITALITY FUND

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

YEAR ENDED JUNE 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Hospitality Taxes	\$ 650,000	650,000	768,475	\$ 118,475
Miscellaneous	2,000	2,000	4,806	2,806
TOTAL REVENUES	<u>652,000</u>	<u>652,000</u>	<u>773,281</u>	<u>121,281</u>
EXPENDITURES				
Current:				
Public Safety	30,300	36,300	34,257	2,043
Grounds	24,300	24,300	21,662	2,638
Special Events	3,200	3,200	1,465	1,735
Capital Outlay	119,900	88,100	86,514	1,586
TOTAL EXPENDITURES	<u>177,700</u>	<u>151,900</u>	<u>143,898</u>	<u>8,002</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>474,300</u>	<u>500,100</u>	<u>629,383</u>	<u>129,283</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(374,300)	(400,100)	(400,100)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(374,300)</u>	<u>(400,100)</u>	<u>(400,100)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>100,000</u>	<u>100,000</u>	<u>229,283</u>	<u>129,283</u>
FUND BALANCES, BEGINNING OF YEAR	325,946	325,946	325,946	-
FUND BALANCES, END OF YEAR	<u>\$ 425,946</u>	<u>425,946</u>	<u>555,229</u>	<u>\$ 129,283</u>

Note: The Town's original and final budget reflected an expected surplus of \$100,000.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Local Accommodations Taxes	\$ 150,000	150,000	165,672	\$ 15,672
Miscellaneous	220	220	122	(98)
TOTAL REVENUES	<u>150,220</u>	<u>150,220</u>	<u>165,794</u>	<u>15,574</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(150,220)	(182,220)	(181,824)	396
TOTAL OTHER FINANCING SOURCES (USES)	<u>(150,220)</u>	<u>(182,220)</u>	<u>(181,824)</u>	<u>396</u>
NET CHANGE IN FUND BALANCES	-	(32,000)	(16,030)	15,970
FUND BALANCES, BEGINNING OF YEAR	47,685	47,685	47,685	-
FUND BALANCES, END OF YEAR	<u>\$ 47,685</u>	<u>15,685</u>	<u>31,655</u>	<u>\$ 15,970</u>

Note: The Town's final budget reflected an expected use of fund balance of \$32,000.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO BUDGETARY COMPARISON SCHEDULES

YEAR ENDED JUNE 30, 2015

NOTE 1 – BASIS OF ACCOUNTING

The budgetary comparison schedules have been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

NOTE 2 – BUDGETARY INFORMATION

The Town follows the following procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

1. Prior to June 1, the Town Administrator submits to Town Council a proposed operating budget for the fiscal year commencing July 1. 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, 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.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF SURFSIDE BEACH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Town of Surfside Beach's Proportion of the Net Pension Liability	0.01967%	0.01967%
Town of Surfside Beach's Proportionate Share of the Net Pension Liability	\$ 3,386,522	\$ 3,528,096
Town of Surfside Beach's Covered-Employee Payroll	\$ 1,785,789	\$ 1,745,679
Town of Surfside Beach's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.64%	202.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only two years of data were available; thus, only two years were presented.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF SURFSIDE BEACH'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Contractually Required Contribution	\$ 206,138	\$ 189,294
Contributions in Relation to the Contractually Required Contribution	206,138	189,294
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Surfside Beach's Covered-Employee Payroll	\$ 1,891,178	\$ 1,785,789
Contributions as a Percentage of Covered-Employee Payroll	10.90%	10.60%

Notes to Schedule:

Only two years of data were available; thus, only two years were presented.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF SURFSIDE BEACH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Town of Surfside Beach's Proportion of the Net Pension Liability	0.10792%	0.10792%
Town of Surfside Beach's Proportionate Share of the Net Pension Liability	\$ 2,066,069	\$ 2,237,173
Town of Surfside Beach's Covered-Employee Payroll	\$ 1,318,548	\$ 1,236,297
Town of Surfside Beach's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	156.69%	180.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.55%	62.98%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only two years of data were available; thus, only two years were presented.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF SURFSIDE BEACH'S CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Contractually Required Contribution	\$ 192,229	\$ 166,664
Contributions in Relation to the Contractually Required Contribution:	192,229	166,664
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Surfside Beach's Covered-Employee Payroll	\$ 1,455,177	\$ 1,318,548
Contributions as a Percentage of Covered-Employee Payroll	13.21%	12.64%

Notes to Schedule:

Only two years of data were available; thus, only two years were presented.

Supplementary Information

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND

YEAR ENDED JUNE 30, 2015

	<u>BALANCE AT JUNE 30, 2014</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT JUNE 30, 2015</u>
ASSETS				
Cash and Cash Equivalents	\$ 19,297	51,383	48,755	\$ 21,925
TOTAL ASSETS	<u>\$ 19,297</u>	<u>51,383</u>	<u>48,755</u>	<u>\$ 21,925</u>
LIABILITIES				
Due to Firemen's Association	\$ 19,297	51,383	48,755	\$ 21,925
TOTAL LIABILITIES	<u>\$ 19,297</u>	<u>51,383</u>	<u>48,755</u>	<u>\$ 21,925</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND

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

YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Property Taxes	\$ 60,500	60,500	73,193	\$ 12,693
Intergovernmental	-	465,620	441,544	(24,076)
Other	900	900	1,407	507
TOTAL REVENUES	61,400	527,020	516,144	(10,876)
EXPENDITURES				
Current:				
Grounds	36,500	44,600	44,513	87
Street	18,000	19,850	18,047	1,803
Nondepartmental	-	62,000	44,854	17,146
Capital Outlay	475,000	1,240,000	1,234,506	5,494
TOTAL EXPENDITURES	529,500	1,366,450	1,341,920	24,530
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(468,100)	(839,430)	(825,776)	13,654
OTHER FINANCING SOURCES (USES)				
Transfers In	629,100	1,398,807	1,398,807	-
TOTAL OTHER FINANCING SOURCES (USES)	629,100	1,398,807	1,398,807	-
NET CHANGE IN FUND BALANCES	161,000	559,377	573,031	13,654
FUND BALANCES, BEGINNING OF YEAR	624,791	624,791	624,791	-
FUND BALANCES, END OF YEAR	\$ 785,791	1,184,168	1,197,822	\$ 13,654

Note: The Town's original and final budget reflected an expected surplus of \$161,000 and use of fund balance of \$210,330, respectively.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - SANITATION FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUES				
Charges for Services	\$ 1,355,000	1,355,000	1,368,295	\$ 13,295
TOTAL OPERATING REVENUES	<u>1,355,000</u>	<u>1,355,000</u>	<u>1,368,295</u>	<u>13,295</u>
OPERATING EXPENSES				
Personnel Service and Related Expenses	478,365	478,365	484,516	(6,151)
Maintenance and Service Contracts	373,100	365,900	364,073	1,827
Materials and Supplies	17,500	20,500	20,311	189
Repairs and Maintenance	1,200	1,200	1,327	(127)
Depreciation	145,000	145,000	142,473	2,527
Other Operating Expenses	41,590	45,790	43,717	2,073
TOTAL OPERATING EXPENSES	<u>1,056,755</u>	<u>1,056,755</u>	<u>1,056,417</u>	<u>338</u>
TOTAL OPERATING INCOME (LOSS)	<u>298,245</u>	<u>298,245</u>	<u>311,878</u>	<u>13,633</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Earnings	1,300	1,300	1,581	281
Grant Revenues	-	-	1,000	1,000
Gain on Disposal of Assets	3,500	3,500	20,044	16,544
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>4,800</u>	<u>4,800</u>	<u>22,625</u>	<u>17,825</u>
INCOME BEFORE TRANSFERS	<u>303,045</u>	<u>303,045</u>	<u>334,503</u>	<u>31,458</u>
Transfers Out	(70,000)	(70,000)	(70,000)	-
CHANGE IN NET POSITION	<u>233,045</u>	<u>233,045</u>	<u>264,503</u>	<u>31,458</u>
NET POSITION, BEGINNING OF YEAR - As Previously Reported	1,630,033	1,630,033	1,630,033	-
Cumulative Change in Accounting Principle - See Note I.B	(674,994)	(674,994)	(674,994)	-
NET POSITION, BEGINNING OF YEAR - As Restated	<u>955,039</u>	<u>955,039</u>	<u>955,039</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 1,188,084</u>	<u>1,188,084</u>	<u>1,219,542</u>	<u>\$ 31,458</u>

Note: The Town's original and final budget reflected an expected surplus of \$233,045.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - PIER FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES				
Charges for Services	\$ 350,075	350,075	441,532	\$ 91,457
TOTAL OPERATING REVENUES	350,075	350,075	441,532	91,457
OPERATING EXPENSES				
Maintenance and Service Contracts	42,190	44,190	43,699	491
Repairs and Maintenance	9,100	17,100	15,957	1,143
Depreciation	120,000	117,500	116,294	1,206
Other Operating Expenses	13,500	16,000	15,569	431
TOTAL OPERATING EXPENSES	184,790	194,790	191,519	3,271
TOTAL OPERATING INCOME (LOSS)	165,285	155,285	250,013	94,728
NONOPERATING REVENUES (EXPENSES)				
Interest Earnings	500	500	468	(32)
Interest Expense	(13,450)	(13,450)	(13,448)	2
TOTAL NONOPERATING REVENUES (EXPENSES)	(12,950)	(12,950)	(12,980)	(30)
INCOME BEFORE TRANSFERS	152,335	142,335	237,033	94,698
Transfers Out	(29,280)	(29,280)	(29,242)	38
CHANGE IN NET POSITION	123,055	113,055	207,791	94,736
NET POSITION, BEGINNING OF YEAR	2,295,090	2,295,090	2,295,090	-
NET POSITION, END OF YEAR	\$ 2,418,145	2,408,145	2,502,881	\$ 94,736

Note: The Town's original and final budget reflected an expected surplus of \$123,055 and \$113,055, respectively.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2015

Court Fines

Court Fines Collected	\$	122,574
Court Fines Retained by Town		<u>(122,574)</u>
Court Fines Remitted to the State Treasurer	\$	<u><u>-</u></u>

Court Assessments

Court Assessments Collected	\$	138,550
Court Assessments Retained by Town		<u>(14,852)</u>
Court Assessments Remitted to the State Treasurer	\$	<u><u>123,698</u></u>

Court Surcharges

Court Surcharges Collected and Retained by the Town	\$	54,368
Court Surcharges Retained by Town		<u>(7,801)</u>
Court Assessments Remitted to the State Treasurer	\$	<u><u>46,567</u></u>

Court DPS Pullouts

Court DPS Pullouts Collected and Retained by the Town	\$	4,897
Court DPS Pullouts Retained by Town		<u>-</u>
Court Assessments Remitted to the State Treasurer	\$	<u><u>4,897</u></u>

Victim's Services

Court Assessments Allocated to Victim's Services	\$	14,852
Court Surcharges Allocated to Victim's Services		<u>7,801</u>
Funds Allocated to Victim's Services		22,653
Victim's Services Expenditures		<u>(12,948)</u>
Funds Available to Carry Forward		9,705
Funds Carry Forward from Prior Year		<u>35,454</u>
Fund Balance for Victim's Services	\$	<u><u>45,159</u></u>

STATISTICAL SECTION

This part of the Town of Surfside Beach’s (“Town”) 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 Town’s overall financial health.

Contents	Page
Financial Trends Information <i>These schedules contain trend information to help the reader understand how the Town’s financial performance and well-being have changed over time.</i>	84
Revenue Capacity Information <i>These schedules contain information to help the reader assess the Town’s most significant local revenue source, the property tax.</i>	91
Debt Capacity Information <i>These schedules present information to help the reader assess the affordability of the Town’s current levels of outstanding debt and the Town’s ability to issue additional debt in the future.</i>	95
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place.</i>	99
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town’s financial report relates to the services the Town provides and the activities it performs.</i>	101

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

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2015 (1)	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities										
Net Investment in Capital Assets	\$ 13,524,728	12,690,970	12,904,376	12,541,758	11,910,207	10,932,103	8,196,888	6,919,553	5,344,522	\$ 4,046,028
Restricted	1,339,951	1,311,546	1,040,331	1,211,314	882,459	406,066	1,867,568	2,093,153	1,536,378	1,558,229
Unrestricted	(1,010,070)	3,900,870	3,583,122	3,415,280	3,790,465	4,394,241	4,227,369	5,006,855	5,618,178	5,139,727
Total Governmental Activities Net Position	<u>\$ 13,854,609</u>	<u>17,903,386</u>	<u>17,527,829</u>	<u>17,168,352</u>	<u>16,583,131</u>	<u>15,732,410</u>	<u>14,291,825</u>	<u>14,019,561</u>	<u>12,499,078</u>	<u>\$ 10,743,984</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 3,173,338	3,623,887	3,538,083	3,200,682	3,034,135	3,078,498	3,103,276	724,808	410,834	\$ 352,927
Unrestricted	549,085	96,139	(276,368)	(438,541)	(604,759)	(855,355)	(1,263,645)	120,043	317,139	96,446
Total Business-Type Activities Net Position	<u>\$ 3,722,423</u>	<u>3,720,026</u>	<u>3,261,715</u>	<u>2,762,141</u>	<u>2,429,376</u>	<u>2,223,143</u>	<u>1,839,631</u>	<u>844,851</u>	<u>727,973</u>	<u>\$ 449,373</u>
Primary Government										
Net Investment in Capital Assets	\$ 16,698,066	16,314,857	16,442,459	15,742,440	14,944,342	14,010,601	11,300,164	7,644,361	5,755,356	\$ 4,398,955
Restricted	1,339,951	1,311,546	1,040,331	1,211,314	882,459	406,066	1,867,568	2,093,153	1,536,378	1,558,229
Unrestricted	(460,985)	3,997,009	3,306,754	2,976,739	3,185,706	3,538,886	2,963,724	5,126,898	5,935,317	5,236,173
Total Primary Government Net Position	<u>\$ 17,577,032</u>	<u>21,623,412</u>	<u>20,789,544</u>	<u>19,930,493</u>	<u>19,012,507</u>	<u>17,955,553</u>	<u>16,131,456</u>	<u>14,864,412</u>	<u>13,227,051</u>	<u>\$ 11,193,357</u>

Notes:

(1) The Town implemented GASB #68/71 in 2015 related to pension accounting which significantly reduced the Town's unrestricted net position. See Note I.B in the financial statements for more detail

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2015	2014	2013	2012	2011	2010 (1)	2009	2008	2007	2006
Expenses										
Governmental Activities:										
General Government	\$ 1,682,384	1,760,871	1,560,174	1,574,344	1,481,098	1,936,037	1,487,967	1,372,244	1,518,483	\$ 1,095,556
Public Safety	3,483,746	3,125,304	2,996,133	2,871,037	2,682,300	3,189,927	2,460,933	2,371,314	2,015,991	2,072,616
Building and Zoning	255,968	219,266	235,281	252,842	216,665	322,102	244,152	282,304	238,278	-
Grounds (2)	415,302	348,930	351,443	291,739	278,869	485,100	-	-	-	-
Street	1,197,025	994,137	1,189,910	1,483,694	904,504	1,072,451	1,111,069	1,178,169	732,622	711,466
Special Events	270,350	334,751	312,600	380,666	399,827	476,660	558,936	483,391	479,222	398,886
Interest and Fiscal Charges	11,631	13,560	32,523	51,603	57,244	69,814	66,482	88,181	85,049	87,255
Total Government Activities Expenses	7,316,406	6,796,819	6,678,064	6,905,925	6,020,507	7,552,091	5,929,539	5,775,603	5,069,645	4,365,779
Business-Type Activities:										
Sanitation	1,056,417	1,078,594	1,029,668	1,058,807	993,535	1,228,154	962,936	1,072,194	929,637	915,909
Pier	204,967	182,813	157,460	100,133	142,786	183,658	107,370	-	-	-
Total Business-Type Activities Expenses	1,261,384	1,261,407	1,187,128	1,158,940	1,136,321	1,411,812	1,070,306	1,072,194	929,637	915,909
Total Primary Government Expenses	\$ 8,577,790	8,058,226	7,865,192	8,064,865	7,156,828	8,963,903	6,999,845	6,847,797	5,999,282	\$ 5,281,688
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 268,310	238,239	126,223	112,164	131,404	165,942	126,601	153,714	95,322	\$ 104,791
Public Safety	219,411	217,983	192,608	239,369	249,878	337,573	311,218	273,900	223,656	511,478
Building and Zoning	148,039	147,071	116,410	165,269	113,222	177,453	130,110	160,393	271,658	-
Special Events	34,180	20,289	23,076	50,921	69,045	60,815	52,928	53,763	59,487	54,251
Operating Grants and Contributions	26,814	119,314	296,602	593,738	159,946	207,765	212,262	69,271	83,425	52,633
Capital Grants and Contributions	432,514	111,623	296,415	355,945	243,738	303,818	197,101	298,645	94,350	75,959
Total Governmental Activities Program Revenues	1,129,268	854,519	1,051,334	1,517,406	967,233	1,253,366	1,030,220	1,009,686	827,898	799,112
Business-Type Activities:										
Charges For Services:										
Sanitation	1,368,295	1,349,232	1,171,778	1,067,403	1,103,958	1,409,891	1,148,643	1,164,391	1,141,924	925,145
Pier	441,532	382,258	288,298	286,761	323,092	447,731	85,314	-	-	-
Operating Grants and Contributions	1,000	73,766	-	7,858	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	162,500	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	1,810,827	1,805,256	1,460,076	1,524,522	1,427,050	1,857,622	1,233,957	1,164,391	1,141,924	925,145
Total Primary Government Program Revenues	\$ 2,940,095	2,659,775	2,511,410	3,041,928	2,394,283	3,110,988	2,264,177	2,174,077	1,969,822	\$ 1,724,257

(Continued)

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2015	2014	2013	2012	2011	2010 (1)	2009	2008	2007	2006
Net (Expense) Revenue										
Governmental Activities	\$ (6,187,138)	\$ (5,942,300)	\$ (5,626,730)	\$ (5,388,519)	\$ (5,053,274)	\$ (6,298,725)	\$ (4,899,319)	\$ (4,765,917)	\$ (4,241,747)	\$ (3,566,667)
Business-Type Activities	549,443	543,849	272,948	365,582	290,729	445,810	163,651	92,197	212,287	9,236
Total Primary Government Net Expense	\$ (5,637,695)	(5,398,451)	(5,353,782)	(5,022,937)	(4,762,545)	(5,852,915)	(4,735,668)	(4,673,720)	(4,029,460)	\$ (3,557,431)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property Taxes	\$ 3,003,056	2,494,523	2,436,542	2,431,443	2,392,569	2,437,909	2,316,688	2,208,501	2,146,666	\$ 2,088,116
Local Accommodations Taxes	165,672	150,961	150,517	154,171	138,892	159,761	139,549	146,587	136,914	116,393
Hospitality Taxes	768,475	705,656	667,065	673,177	654,897	804,000	669,304	721,269	674,718	615,341
Business Licenses	1,522,954	1,440,256	1,535,250	1,352,422	1,384,337	2,628,551	1,455,823	1,548,915	1,331,700	1,192,406
Franchise Fees	628,405	624,537	586,016	572,541	577,845	745,808	526,406	518,911	496,568	469,622
Intergovernmental Revenue	809,695	726,955	785,228	655,172	618,106	811,567	759,823	759,845	686,736	617,989
Investment Earnings	20,309	22,392	32,445	31,938	38,327	53,572	122,639	357,720	373,855	209,305
Gain on Disposal of Capital Assets	2,943	1,406	17,337	47,106	-	-	6,717	-	29,494	7,551
Miscellaneous Revenue	57,024	61,731	11,930	10,675	2,654	9,397	4,634	4,652	63,542	-
Transfers	99,242	89,440	(244,523)	45,095	96,368	62,500	(830,000)	20,000	16,648	9,618
Total Governmental Activities	7,077,775	6,317,857	5,977,807	5,973,740	5,903,995	7,713,065	5,171,583	6,286,400	5,956,841	5,326,341
Business-Type Activities:										
Investment Earnings	2,049	1,588	2,860	3,749	2,845	202	541	6,929	7,286	2,567
Gain on Disposal of Capital Assets	20,044	2,314	3,542	8,529	9,027	-	588	37,752	75,675	11,820
Transfers	(99,242)	(89,440)	244,523	(45,095)	(96,368)	(62,500)	830,000	(20,000)	(16,648)	(9,618)
Total Business-Type Activities	(77,149)	(85,538)	250,925	(32,817)	(84,496)	(62,298)	831,129	24,681	66,313	4,769
Total Primary Government	\$ 7,000,626	6,232,319	6,228,732	5,940,923	5,819,499	7,650,767	6,002,712	6,311,081	6,023,154	\$ 5,331,110
Change in Net Position										
Governmental Activities	\$ 890,637	375,557	351,077	585,221	850,721	1,414,340	272,264	1,520,483	1,715,094	1,759,674
Business-Type Activities	472,294	458,311	523,873	332,765	206,233	383,512	994,780	116,878	278,600	14,005
Total Primary Government	\$ 1,362,931	833,868	874,950	917,986	1,056,954	1,797,852	1,267,044	1,637,361	1,993,694	\$ 1,773,679

Notes:

(1) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. As a result, fiscal period 2010 is 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.

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE

LAST TEN FISCAL YEARS

(accrual basis of accounting)

UNAUDITED

Fiscal Year Ended June		Local Accommodations					
30,	Property Taxes	Taxes	Business Licenses Taxes	Franchise Taxes	Hospitality Taxes	Total	
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 (1)	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	
2012	2,431,443	154,171	1,352,422	572,541	673,177	5,183,754	
2013	2,436,542	150,517	1,535,250	586,016	667,065	5,375,390	
2014	2,494,523	150,961	1,440,256	624,537	705,656	5,415,933	
2015	\$ 3,003,056	165,672	1,522,954	628,405	768,475	\$ 6,088,562	

Note:

(1) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. As a result, fiscal period 2010 is a fifteen month period.

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2015	2014	2013	2012	2011	2010 (1)	2009	2008	2007	2006
General Fund										
<u>Pre-GASB #54 (2)</u>										
Reserved	\$ -	-	-	-	-	1,356,711	1,546,373	91,008	93,072	\$ 75,261
Unreserved - Designated	-	-	-	-	-	1,633,961	1,650,115	1,680,447	1,865,981	2,279,217
Unreserved - Undesignated	-	-	-	-	-	1,572,656	1,142,666	2,751,641	2,451,112	1,901,664
<u>Post GASB #54 (2)</u>										
Nonspendable	414,097	581,756	858,418	1,319,075	1,404,264	-	-	-	-	-
Restricted	45,159	805,161	683,621	576,299	453,759	-	-	-	-	-
Assigned	1,380,001	881,524	518,351	484,506	399,930	-	-	-	-	-
Unassigned	1,544,554	1,972,674	1,301,738	1,086,252	1,672,042	-	-	-	-	-
Total General Fund	\$ 3,383,811	4,241,115	3,362,128	3,466,132	3,929,995	4,563,328	4,339,154	4,523,096	4,410,165	\$ 4,256,142
All Other Governmental Funds										
<u>Pre-GASB #54 (2)</u>										
Reserved	\$ -	-	-	-	-	12,500	-	-	-	\$ -
Unreserved, Reported In:										
Special Revenue Funds	-	-	-	-	-	189,954	222,124	804,042	806,388	867,860
Capital Projects Funds	-	-	-	-	-	138,635	3,452	508,918	1,427,988	869,854
Unreserved Undesignated	-	-	-	-	-	10,826	1,616,882	1,274,687	720,641	685,407
<u>Post GASB #54 (2)</u>										
Nonspendable	12,500	14,980	12,911	12,500	17,716	-	-	-	-	-
Restricted	1,282,292	491,405	343,799	615,810	378,058	-	-	-	-	-
Assigned	603,279	624,791	818,555	652,595	477,758	-	-	-	-	-
Total All Other Governmental Funds	\$ 1,898,071	1,131,176	1,175,265	1,280,905	873,532	351,915	1,842,458	2,587,647	2,955,017	\$ 2,423,121

Notes:

(1) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. As a result, fiscal period 2010 is a fifteen month period

(2) 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 fiscal year 2011 has not been restated.

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Property Taxes	\$ 2,966,545	2,516,057	2,446,609	2,431,289	2,366,075	2,492,969	2,303,879	2,201,127	2,138,888	\$ 2,089,430
Hospitality Taxes	768,475	705,656	667,065	673,177	654,897	804,000	669,304	721,269	674,718	615,341
Local Accommodations Taxes	165,672	150,961	150,517	154,171	138,892	159,761	139,549	146,587	136,914	116,393
Licenses and Permits	1,670,993	1,589,382	1,653,590	1,520,321	1,500,594	2,808,169	1,574,633	1,701,548	1,603,205	1,538,253
Franchise Fees	628,405	624,537	586,016	572,541	577,845	745,808	526,406	518,911	496,568	469,622
Fines and Forfeitures	148,449	163,446	160,154	217,545	232,464	274,998	263,399	235,078	200,389	143,450
Parking Meters (2)	255,683	223,480	-	-	-	-	-	-	-	-
Intergovernmental	1,324,369	1,148,416	1,204,567	1,562,949	1,011,326	1,300,921	1,176,874	1,087,759	846,261	733,381
Other	139,756	166,155	229,198	248,147	266,273	362,411	383,701	634,161	639,085	406,158
Total Revenues	8,068,347	7,288,090	7,097,716	7,380,140	6,748,366	8,949,037	7,037,745	7,246,440	6,736,028	6,112,028
Expenditures										
General Government	1,268,985	1,116,495	994,020	1,092,283	962,978	1,355,349	1,002,468	806,707	800,304	698,260
Public Safety	3,049,687	2,765,259	2,704,284	2,499,144	2,377,915	2,915,763	2,259,819	2,155,183	1,810,943	1,916,226
Building and Zoning (2)	249,143	211,862	235,210	249,312	214,470	318,462	239,729	273,739	231,620	-
Grounds (2)	380,546	299,740	299,839	263,423	260,442	465,993	-	-	-	-
Street	859,279	748,886	964,627	1,274,684	724,004	861,717	969,183	967,011	647,018	582,603
Intergovernmental Maintenance	138,607	113,937	121,971	115,123	92,047	97,548	78,084	85,651	83,768	106,545
Special Events	247,566	319,462	284,250	345,104	363,725	430,820	512,760	437,305	447,773	362,944
Non-Departmental	359,445	344,076	328,211	284,125	258,792	320,706	284,405	479,198	599,589	331,733
Capital Outlay	1,652,474	557,558	639,709	853,887	2,139,536	3,103,565	1,394,126	1,693,092	1,110,855	281,261
Debt Service										
Principal	73,147	73,147	488,147	473,147	375,000	370,000	345,000	562,789	320,000	310,000
Interest	13,087	14,951	29,352	43,139	35,700	45,875	54,500	79,961	69,150	73,350
Agent Fees	-	10	1,000	1,000	827	1,310	1,060	1,060	998	780
Total Expenditures	8,291,966	6,565,383	7,090,620	7,494,371	7,805,436	10,287,108	7,141,134	7,541,696	6,122,018	4,663,702
Excess of Revenues Over (Under) Expenditures	(223,619)	722,707	7,096	(114,231)	(1,057,070)	(1,338,071)	(103,389)	(295,256)	614,010	1,448,326
Other Financing Sources (Uses)										
Proceeds Sale of Capital Assets	33,968	22,751	19,383	22,081	117,517	9,202	4,258	20,817	11,909	5,487
Issuance of Debt	-	-	-	-	731,469	-	-	-	-	-
Transfers In	2,015,765	844,606	782,297	401,252	480,337	355,941	431,146	299,861	639,976	691,133
Transfers Out	(1,916,523)	(755,166)	(1,026,820)	(365,592)	(383,969)	(293,441)	(1,261,146)	(279,861)	(619,976)	(681,133)
Total Other Financing Sources (Uses)	133,210	112,191	(225,140)	57,741	945,354	71,702	(825,742)	40,817	31,909	15,487
Net Change in Fund Balances	\$ (90,409)	834,898	(218,044)	(56,490)	(111,716)	(1,266,369)	(929,131)	(254,439)	645,919	\$ 1,463,813
Debt Service as a Percentage of Noncapital Expenditures	1.30%	1.47%	8.04%	7.79%	7.26%	5.81%	6.97%	11.01%	7.79%	8.77%

Notes:

(1) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. As a result, fiscal period 2010 is a fifteen month period.

(2) Parking meter revenues were not separately presented prior to 2014. Grounds department was not separately presented prior to 2010. Building and Zoning was not separately budgeted and presented prior to 2007.

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Property Taxes	Local Accommodations Taxes	Business Licenses Taxes	Franchise Taxes	Hospitality Taxes	Total
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	374,718	4,478,788
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 (1)	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
2012	2,431,289	154,171	1,352,422	572,541	673,177	5,183,600
2013	2,446,609	150,517	1,535,250	586,016	667,065	5,385,457
2014	2,516,057	150,961	1,440,256	624,537	705,656	5,437,467
2015	\$ 2,966,545	165,672	1,524,722	628,405	768,475	\$ 6,053,819

Note:

(1) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. As a result, fiscal period 2010 is a fifteen month period

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	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
2006	2005	\$ 42,282,679	4,783,074	564,764	\$ 46,500,989	44.0	\$ 814,836,264	5.71%
2007	2006	43,396,201	5,254,120	573,840	48,076,481	44.0	840,608,661	5.72%
2008	2007	44,678,414	5,134,590	585,990	49,227,014	44.0	862,011,196	5.71%
2009	2008	48,963,006	4,770,448	857,314	52,876,140	44.0	933,969,993	5.66%
2010	2009	50,572,855	4,355,394	864,733	54,063,516	44.0	957,529,121	5.65%
2011	2010	55,418,462	4,400,570	996,779	58,822,253	40.0	1,044,622,518	5.63%
2012	2011	56,357,844	3,827,860	889,942	59,295,762	40.0	1,054,238,321	5.62%
2013	2012	57,234,458	2,405,418	928,442	58,711,434	40.0	1,052,111,618	5.58%
2014	2013	58,298,866	2,330,330	931,440	59,697,756	40.0	1,070,180,304	5.58%
2015	2014	\$ 59,335,525	2,455,885	972,129	\$ 60,819,281	46.2	\$ 1,090,261,509	5.58%

Source: Horry County Assessors office

Note:

(1) 2010 and 2015 were Horry County Property Tax Reassessment years.

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

Tax Year	Total Town Millage	Overlapping Rates						Total Direct & Overlapping Rates
		County			School District			
		Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	
2005	44.00	41.00	5.30	46.30	101.70	28.00	129.70	220.00
2006	44.00	41.00	5.30	46.30	107.30	28.00	135.30	225.60
2007	44.00	42.00	5.30	47.30	115.30	28.00	143.30	234.60
2008	44.00	42.00	5.30	47.30	115.30	28.00	143.30	234.60
2009	44.00	42.00	5.30	47.30	119.30	20.00	180.70	272.00
2010	40.00	39.90	5.00	44.90	118.20	14.00	132.20	217.10
2011	40.00	40.20	5.00	45.20	120.20	10.00	130.20	215.40
2012	40.00	40.20	5.00	45.20	120.20	10.00	130.20	215.40
2013	40.00	40.20	5.00	45.20	120.20	10.00	130.20	215.40
2014	46.20	40.20	5.00	45.20	123.10	10.00	133.10	224.50

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

Note:

(1) 2010 and 2015 were Horry County Property Tax Reassessment years.

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Surfside Beach Resort, LLC	\$ 539,780	1	0.73%			
PSM SC Acquisition Co, LLC	412,990	2	0.70%			
Surfside Dev Partners, LLC	282,900	3	0.41%			
Robinson, Jean H	219,320	4	0.33%	\$ 175,788	6	0.48%
Surfside Beach Shopping Center, LLC	178,410	5	0.26%	134,874	9	
Worley Investments, LLC	165,430	6	0.26%			
Blue Whale, LLC	148,800	7	0.26%			0.38%
RRWB Properties, LLC	147,330	8	0.24%			
Tebele Investment Group	147,190	9	0.24%	125,922	10	0.35%
Floral Beach Corporation, Inc	139,120	10	0.23%			
Surfside Pier Hotel, LTD				433,042	1	1.16%
Jefferson Pilot Life Insurance				357,636	2	0.82%
Scalise Development, Inc				297,552	3	0.64%
Lodgian Hotels Fixed, LLC				232,200	4	0.37%
Scalise Properties				197,718	5	0.35%
RMP, LLC				146,640	7	0.35%
Hospital Corporation of America				135,900	8	0.33%
	<u>\$ 2,381,270</u>		<u>3.66%</u>	<u>\$ 2,237,272</u>		<u>5.23%</u>

Source: Surfside Beach County Economic Development office

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year (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
2006	\$ 2,230,238	\$ 1,985,077	89.0%	\$ 241,040	\$ 2,226,117	99.82%
2007	2,002,191	1,906,087	95.2%	90,397	1,996,484	99.71%
2008	2,087,362	1,977,059	94.7%	105,298	2,082,357	99.76%
2009	2,315,577	2,082,049	89.9%	225,071	2,307,120	99.63%
2010 (3)	2,276,552	2,145,810	94.3%	121,141	2,266,951	99.58%
2011	2,256,797	2,090,348	92.6%	154,672	2,245,020	99.48%
2012	2,271,449	2,174,776	95.7%	83,898	2,258,674	99.44%
2013	2,379,213	2,312,936	97.2%	44,826	2,357,762	99.10%
2014	2,387,910	2,316,133	97.0%	49,280	2,365,413	99.06%
2015	\$ 2,960,578	\$ 2,909,540	98.3%	\$ -	\$ 2,909,540	98.28%

Source: Horry County Treasurer

Notes:

- (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) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. As a result, fiscal period 2010 is a fifteen month period.

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Note Payable	Capital Leases			
2006	\$ 2,555,000	-	-	\$ 2,555,000	2.36%	\$ 512
2007	2,235,000	232,789	-	2,467,789	2.28%	476
2008	1,905,000	-	-	1,905,000	1.76%	353
2009	1,560,000	-	-	1,560,000	1.44%	278
2010	1,190,000	-	-	1,190,000	1.10%	204
2011	815,000	-	73,149	888,149	0.99%	403
2012	415,000	-	658,322	1,073,322	0.68%	280
2013	-	-	585,175	585,175	0.37%	153
2014	-	-	512,028	512,028	0.33%	133
2015	\$ -	-	438,881	\$ 438,881	0.28%	\$ 114

Note:

(1) See the Schedule of Demographic and Economic Statistics (Table 15) for personal income and population data.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2006	\$ 2,555,000	-	\$ 2,555,000	0.31%	\$ 512
2007	2,235,000	-	2,235,000	0.27%	431
2008	1,905,000	-	1,905,000	0.22%	353
2009	1,560,000	-	1,560,000	0.17%	278
2010	1,190,000	-	1,190,000	0.12%	204
2011	815,000	-	815,000	0.08%	212
2012	415,000	-	415,000	0.04%	108
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	\$ -	-	\$ -	0.00%	\$ -

Notes:

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property (Table 7) for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics (Table 15).

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

YEAR ENDED JUNE 30, 2015

UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Debt</u>
Debt Repaid with Property Taxes:			
County	\$ 284,233,016	2.9%	\$ 8,129,064
School District	291,585,000	2.9%	8,339,331
Total Overlapping Debt			<u>16,468,395</u>
Town of Surfside Beach - Direct			<u>438,881</u>
Total Direct and Overlapping Debt			<u>\$ 16,907,276</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Horry County Treasurer's Office. Outstanding debt provided by the Finance Departments of Horry County and the Horry County School District.

Notes:

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values.

(2) 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.

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$ 4,943,313	4,793,968	4,715,063	4,761,809	4,723,928	4,343,229	4,248,239	3,956,309	3,864,266	\$ 3,738,227
Total net debt applicable to limit	-	-	-	415,000	534,733	553,460	571,938	589,169	605,649	621,630
Legal debt margin	<u>\$ 4,943,313</u>	<u>4,793,968</u>	<u>3,744</u>	<u>3,397</u>	<u>4,189,195</u>	<u>3,789,769</u>	<u>3,676,301</u>	<u>3,367,140</u>	<u>3,258,617</u>	<u>\$ 3,116,597</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	8.72%	11.32%	12.74%	13.46%	14.89%	15.67%	16.63%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed Value	\$ 60,819,281
Add back: exempt real property	972,129
Total assessed value	<u>61,791,410</u>
Debt limit (8% of total assessed value)	4,943,313
Debt applicable to limit:	
General obligation bonds	<u>-</u>
Legal debt margin	<u>\$ 4,943,313</u>

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2006	4,986	\$ 108,171	\$ 21,695	44.5	680	5.5%
2007	5,185	108,169	20,862	44.5	680	5.4%
2008	5,392	108,169	20,061	44.5	680	5.8%
2009	5,608	108,167	19,288	44.5	680	12.8%
2010	5,832	108,166	18,547	44.5	680	13.0%
2011	3,837	156,780	40,860	50.5	525	10.5%
2012	3,837	156,780	40,860	50.5	525	10.1%
2013	3,837	156,780	40,860	50.5	525	8.6%
2014	3,837	156,780	40,860	50.5	525	5.5%
2015	3,837	\$ 156,781	\$ 40,860	50.5	525	6.7%

Source: Horry County Economic Development office

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Employer	2015			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Crabby Mike's	119	1	unavailable	unavailable	1	unavailable
Town of Surfside Beach	80	2	unavailable	unavailable	2	unavailable
Bi-Lo, Inc	65	3	unavailable	unavailable	3	unavailable
Surfside Realty Co, Inc	56	4	unavailable	unavailable	4	unavailable
Lane's Pest Elimination	55	5	unavailable	unavailable	5	unavailable
Holiday Inn	52	6	unavailable	unavailable	6	unavailable
Piggly Wiggly	51	7	unavailable	unavailable	7	unavailable
Surfside Beach Resort	50	8	unavailable	unavailable	8	unavailable
Dagwoods Deli & Sportsbar	49	9	unavailable	unavailable	9	unavailable
Original Benjamin's Calabash	31	10	unavailable	unavailable	10	unavailable
Total	608			-		

Source: Finance Department and Each Employer

FULL TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Full Time Equivalent Employees as of Fiscal Year End									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government	11	13	11	10	13	13	13	11	12	11
Public Safety										
Police										
Officers	21	21	21	21	22	22	21	20	20	20
Communications/Office	6	6	6	6	6	6	6	7	7	7
Fire										
Firefighters	7	7	7	7	7	6	5	5	5	5
Building and Zoning	5	3	3	3	3	3	3	4	4	5
Grounds (1)	5	4	4	4	4	7	N/A	N/A	N/A	N/A
Street	11	10	10	10	10	7	7	11	11	10
Facilities (2)	2	2	2	2	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Maintenance	2	2	2	2	2	1	2	2	2	2
Culture and Recreation	1	2	2	2	2	2	9	5	5	6
Sanitation	9	9	9	9	9	9	8	12	12	12
Total	80	79	77	76	78	76	74	77	78	76

Notes:

- (1) Grounds department was not separately presented prior to fiscal period 2010.
- (2) Facilities Maintenance department was not separately presented prior to fiscal year 2012.

OPERATING INDICATORS

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Physical arrest	898	833	857	911	548	676	506	528	310	750
Parking Violations		3,185	2,320	1,797	3,934	3,677	2,872	2,730	2,168	2,673
Traffic Violations	3046	3,265	2,716	3,058	2,028	4,129	3,946	3,676	1,794	3,435
Fire										
Number of calls Answered	1663	1,052	781	685	633	675	756	729	514	663
Building and Zoning										
New Construction Permits	24	20	21	35	20	19	22	47	84	115
Culture and Recreation										
Events held	23	18	18	21	23	27	16	19	20	19
Sanitation										
Refuse Collected (tons)	7,054	6,885	6,812	6,710	6,737	8,873	6,977	7,618	7,715	7,435
Recyclables Collected	530	521	510	533	534	626	383	312	300	308
Pier (1)										
Admissions	71,752	63,345	55,881	58,441	58,618	80,787	8,699	N/A	N/A	N/A
Fishing	17,518	13,348	11,533	12,773	11,837	18,264	2,197	N/A	N/A	N/A

Note:

(1) The Pier was purchased by the Town on September 30, 2008; therefore, fiscal year 2009 information for the Pier is for a partial year of October 2008 through March 2009.

CAPITAL ASSET STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	19	19	21	21	21	21	19	19
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	39	39	39	39	39	39	39	39	39	36
Streetlights	518	518	518	518	518	518	518	518	518	518
Traffic signals	3	3	3	3	3	3	3	3	3	3
Culture and Recreation										
Parks acreage	32	32	32	32	32	30	30	30	30	30
Parks	8	8	8	8	8	6	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	7	7	7	7	9	8
Pier (1)										
Fishing Pier	1	1	1	1	1	1	1	N/A	N/A	N/A

Notes:

- (1) The Pier was purchased by the Town on September 30, 2008.
- (2) No capital asset indicators are available for the general government function.



Compliance Section



**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***

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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, 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 (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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 *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as 2015-001 in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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*.

Town's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 28, 2015

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

2015-001: PRIOR PERIOD RESTATEMENT

- Criteria:** The Town should have adequate internal controls in place to ensure that the government-wide financial statements are reported in accordance with generally accepted accounting principles.
- Condition/Cause:** There was a misunderstanding between the predecessor auditor and the Town's finance department which resulted in the government-wide financial statements including an allocation of vehicle maintenance expenses which had already been recorded on the fund level. For the year ended June 30, 2014, the Town overstated internal balances (receivables) for the governmental activities and internal balances (payables) for the business-type activities in the government-wide Statement of Net Position related to the cumulative allocation of intergovernmental maintenance expenses. This adjustment between governmental activities and business-type activities netted to zero and had no impact on total net position in the government-wide financial statements.
- Effect:** The following adjustments were required to properly report net position as of June 30, 2014 (the total of which netted to zero):
- The governmental activities required an adjustment to decrease internal balances (receivables) and net position by approximately \$205,100.
 - The business-type activities required an adjustment to decrease internal balances (payables) and increase net position by approximately \$205,100.
- Recommendation:** We recommend the Town carefully review the conversion workpapers, entries, and government-wide statements to ensure that they are being reported in accordance with generally accepted accounting principles.
- Response:** The Town agrees with the auditor's recommendation and will properly review the conversion workpapers and entries to ensure that the government-wide financial statements are being reported in accordance with generally accepted accounting principles.