

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

Prepared By:

Finance and Management Services Department

Diana H. King, Director



## **INTRODUCTORY SECTION**



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 Year Ended March 31, 2006**

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**INTRODUCTORY SECTION**

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**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**PRINCIPAL OFFICIALS**

**March 31, 2006**

**ELECTED**

Mayor ..... Roy Hyman, Jr.  
Mayor Pro Tem ..... James S. "Sammy" Truett  
Town Councilwoman ..... Rebecca J. Hiatt  
Town Councilman ..... Joseph P. Martin  
Town Councilman ..... William J. McKown  
Town Councilman ..... Douglas F. Samples  
Town Councilwoman ..... Judith K. Tuttle

**APPOINTED**

Town Administrator ..... Clyde W. Merryman  
Finance and Management Services Director ..... Diana H. King  
Town Clerk ..... Debra E. Herrmann  
Public Safety Director ..... Carmen Burke  
Planning, Building and Zoning Director ..... Don Elder  
Interim Public Works Director ..... Terry Grady

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

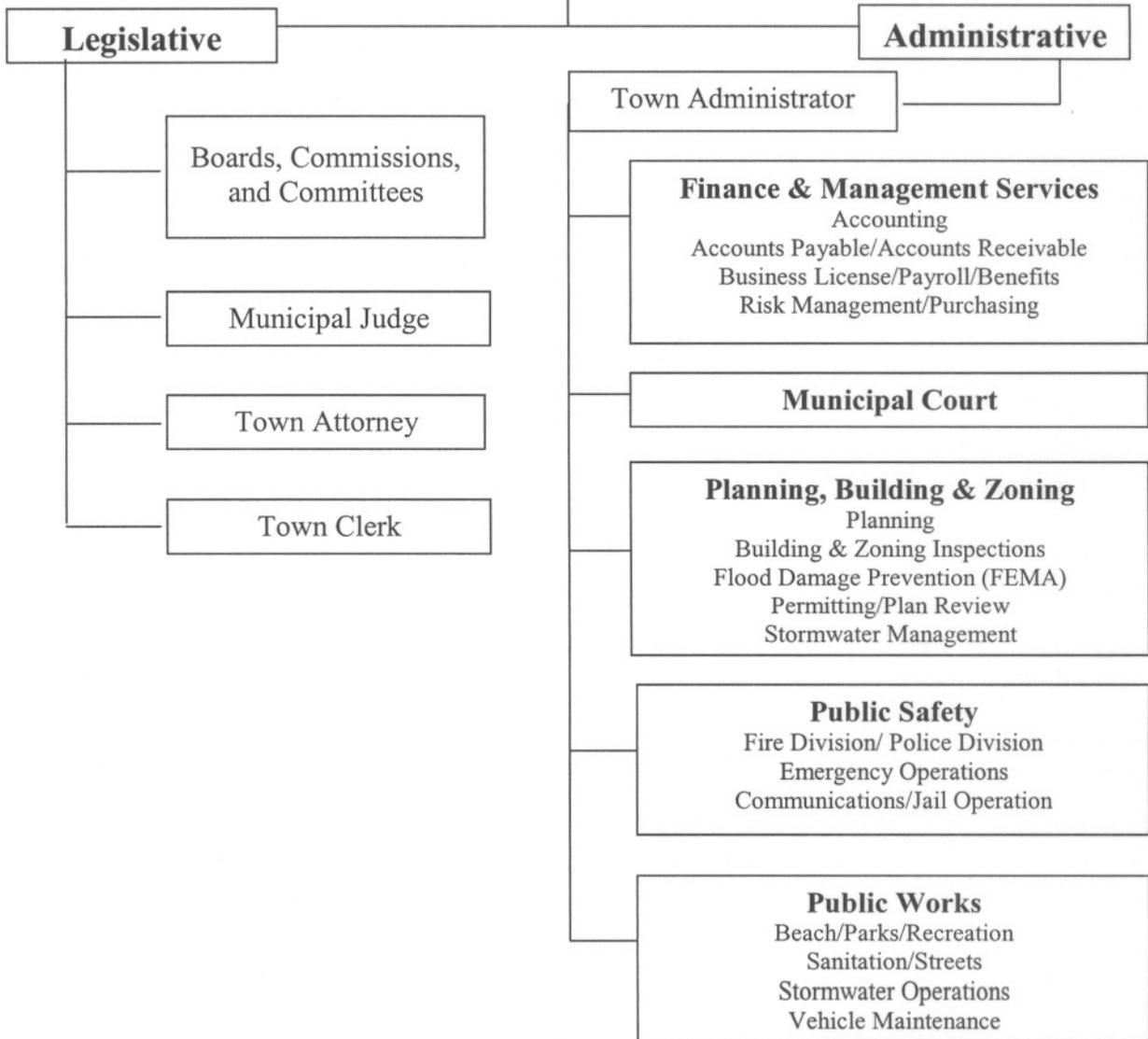
ORGANIZATIONAL CHART

March 31, 2006



**CITIZENS OF  
SURFSIDE BEACH**

**TOWN COUNCIL**  
(Mayor & 6 Councilmembers)



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



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

## **TOWN OF SURFSIDE BEACH**

[www.surfsidebeach.org](http://www.surfsidebeach.org)

August 10, 2006

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

The Comprehensive Annual Financial Report of the Town of Surfside Beach for the fiscal year ended March 31, 2006 is hereby submitted for your review and information, and to meet the requirements of South Carolina law.

The responsibility rests with the town for the accuracy of all presented data, the completeness, and the fairness of the presentation, including all disclosures. 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 has been established for this purpose.

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

Harper, Poston, & Moree, P.A., Certified Public Accountants, has issued an unqualified opinion on the Town of Surfside Beach's financial statements for the year ended March 31, 2006. The independent auditor's report is located at the front of the financial statement section of this report.

Generally accepted accounting principals 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 3.

### **Profile of the Government**

The Town of Surfside Beach is located in the southeastern area of Horry County, between the Atlantic Ocean that forms the town's eastern border, and the Intracoastal Waterway, six-miles to the west. The town's northern municipal limit is four-miles south of Myrtle Beach, South Carolina. The southern border is approximately four-miles from the Horry-Georgetown county line. The town is located approximately 20-miles from Conway, South Carolina, the county seat. The town is two-miles long by 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 councilmembers who are elected at large to serve four-year staggered terms. The mayor is the presiding officer of Town Council.

Town Council appoints an administrator to serve as the chief executive and administrative officer to oversee the town's day-to-day operations. The administrator is responsible for implementing the policies of Town Council. The administrator is assisted by four staff departments: Planning, Building and Zoning; Finance and Management Services; Public Safety, and Public Works.

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

The Town of Surfside Beach provides a full range of services, including police and fire protection; sanitation service; town road and infrastructure repair and maintenance; building regulation; planning; zoning; code enforcement; recreation; parks, and two-miles of oceanfront beach on the Atlantic Ocean.

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

## **Local Economy**

The Town of Surfside Beach has grown dramatically since incorporation. The 2000 Census reported that 4,425 permanent residents lived in the town, compared to just 880 when it was incorporated. Significant growth and development have taken place along the town's oceanfront in the last decade. In addition, commercial development continues along the town's business district on 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 taxes and fees used to provide services to residents, and tourists. The town's beach location continues to promote tourism-related new business and redevelopment.

Tourism is South Carolina's largest industry, and is the element that keeps the northern coastal area of the State running in high gear. 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, 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, and scores 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 has contributed to Surfside Beach revenue through collection of Hospitality fees and Accommodations taxes. In the past 10-years, these special revenues have increased over \$600-thousand. These fees can be used to cover costs relating to public safety due to the high percentage of tourists in the area. During the past 10-years, the government's expenses relating to public safety have increased from 25-percent to 41-percent of total expenditures as the demand for service increases.

Business license and permit revenue have been a significant revenue source over the past 10-years due to a growing population and the development of the beach area. Business license and permits have contributed 33-percent to general fund revenue. We are hopeful that property development and new rental properties will continue in the coming years to keep revenues consistent.

## **Long-term financial planning**

Unreserved, undesignated fund balance in the general fund stands at 41-percent of total general fund revenues. Town Council has not set a policy guideline for budgetary and planning purposes. Town Council has decided to construct stormwater improvements without incurring additional debt. Project funds were derived from a 5-mill tax levy for stormwater improvements, and undesignated fund balance transfers. The stormwater millage has a sunset provision and will end in 2007.

## **Relevant financial policies**

The town's investment policy is to minimize risks while maintaining a competitive yield on its funds. Accordingly, cash available for investing during the year was invested in the State Local Government Investment Pool, and certificates of deposit. The State Local Government Investment Pool is a pool of funds belonging to participating local governments, and is managed by the State Treasurer. These funds are invested in obligations of the United States, its agencies, and in repurchase agreements collateralized by US Government instruments. The town maintains a "central depository account" where the operating cash of all funds are pooled, and excess cash in this account is invested at the end of each day.

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. Employee benefits such as workers compensation and medical coverage are provided through contracts with the South Carolina Municipal Insurance Trust and the South Carolina Local Government Assurance Group. Unemployment coverage is through the South Carolina Employment Security Commission.

## **Major initiatives - year in review**

Development and redevelopment continued within the town during fiscal year 2005-2006. Over 100 single- and multi-family units were constructed.

A countywide re-assessment was completed in Horry County for the tax year 2005. In reassessment years, a tax rollback millage is computed to maintain property tax revenue at a constant level. For the tax year 2005, Town Council reduced the tax millage to 44 mills from 55 mills.

Engineers continued to work on the design for the Myrtle basin drainage area. Recommendations for this area will be presented to Town Council and the work started in the summer of 2006. The Capital Projects Fund is continuing to collect 5-mills for stormwater projects. This millage has a sunset provision and will be collected through the 2007 tax bills.

Town Council adopted the 2005 Town of Surfside Beach Comprehensive Plan, a guideline for Town development, in December 2005. The plan gives a general plan for the Town of Surfside Beach during the next 10-years.

Town Council placed a six-month moratorium for all new construction in the R-2 Medium Density District in June 2005. During that time, staff worked on a plan to reduce density in the district, but owners were allowed to continue building single-family homes. The new regulations adopted by Town Council changed setbacks, building heights, and lot coverage.

A sidewalk along the west side of Ocean Boulevard between 10<sup>th</sup> Avenue South and Melody Lane was built with the assistance of grant and accommodations tax funds. Tourists and residents will use this additional sidewalk to access the beach and other businesses in the town's accommodations area.

## **Major initiatives for the future**

Projects planned for fiscal year 2006-2007 include:

Stormwater construction will begin on Myrtle Basin during the summer of 2006, and will continue into the spring of 2007. A plan is also being developed to dredge several town lakes.

Construction projects planned for 2006 include a sidewalk on Hollywood Drive South to be built during the winter months. Plans are being prepared to repair beach crossovers and beautify the beach access parking areas. A shed will be constructed at the public works facility for equipment storage.

Burkhold Planning and Management will perform a management analysis in the summer of 2006 in order to evaluate town functions and town staffing needs. The town has grown in the past five-years; additional demands have been placed on staff to keep up with the growth.

Town Council appointed a temporary administrator, Peter G. Bine, who brings several years of experience to the town, and will manage day-to-day operations during the administrator's leave of absence.

### **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 with 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 March 31, 2005, which was the 17<sup>th</sup> 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 will submit 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 finance and management services department. Each department member has our sincere appreciation for contributions made in the preparation of this report. We also extend a thank you to Surfside Beach Town Council for its support, which made the preparation of this report possible.

Respectfully submitted,



Peter G. Bine  
Temporary Administrator



Diana H. King  
Finance Director

# 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  
March 31, 2005

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



*Carla E. Perry*

President

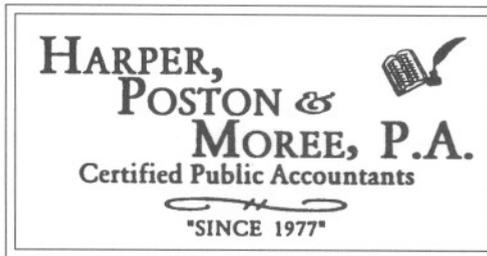
*Jeffrey R. Emer*

Executive Director



## **FINANCIAL SECTION**





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Fax (843) 546-7277

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina, as of and for the year ended March 31, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina, as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2006, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3-10 and 43-47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, individual fund financial statement, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statement and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Pawleys Island, South Carolina  
July 19, 2006

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended March 31, 2006**

Our discussion and analysis of the Town of Surfside Beach, South Carolina's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the transmittal letter on page v and the Town's financial statements, which begin on page 11.

**Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$11,193,357 (net assets). Of this amount, \$5,178,711 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$1,711,826. This is a result of an increase in net assets of our business-type activity of \$8,365, or 1.9%, and an increase in net assets of our governmental activities of \$1,703,461 or 18.8%.
- The Town's total revenues amounted to \$7,055,367 during the year ended March 31, 2006. Revenues of governmental activities totaled \$6,115,835, an increase of 4.4%, and revenues of our business-type activity were \$939,532, an increase of 5.0%.
- During the year ended March 31, 2006, the Town's total expenses amounted to \$5,281,688. Expenses of governmental activities totaled \$4,365,779, an increase of 8.7%, and expenses of our business-type activity were \$915,909, a 6.7% increase.
- At March 31, 2006, the Town's governmental funds reported combined fund balances of \$6,679,263, an increase of \$1,460,214 in comparison to the prior year.
- The decrease in the Town's investment in capital assets for the current fiscal year was \$100,213, or 1.5%, for governmental activities and \$18,741, or 5.3%, for our business-type activity.
- At year-end, the Town had \$2,555,000 in outstanding general obligation bonds compared to \$2,865,000 last year, a decrease of 10.8%.

**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (on pages 11 - 13) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The fiduciary fund financial statement on page 26 provides financial information about an activity for which the Town acts as an agent on behalf of the Town's firemen. The notes to the financial statements are an integral part of the financial statements and begin on page 27. This report also contains other information in addition to the basic financial statements.

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

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

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

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

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

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

Our analysis of the Town's funds begins on page 8. The fund financial statements begin on page 14 and provide detailed information about the funds, not the Town as a whole. The Town Council establishes funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Town's two kinds of funds, governmental and proprietary, use different accounting approaches.

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

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

The Town is an agent, or fiduciary, for certain funds held on behalf of the Town's firemen. The fiduciary fund financial statement can be found on page 26 of this report. We exclude this activity from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information beginning on page 43. An individual fund statement and other supplementary information can be found on pages 48 - 51.

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

Condensed statements of net assets at March 31, 2006 and 2005 are shown below.

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

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 7,059,488	\$ 5,922,434	\$ 148,687	\$ 132,493	\$ 7,208,175	\$ 6,054,927
Capital Assets (Net)	<u>6,577,976</u>	<u>6,678,189</u>	<u>352,927</u>	<u>371,668</u>	<u>6,930,903</u>	<u>7,049,857</u>
Total Assets	<u>\$13,637,464</u>	<u>\$12,600,623</u>	<u>\$ 501,614</u>	<u>\$ 504,161</u>	<u>\$14,139,078</u>	<u>\$13,104,784</u>
Long-Term Liabilities	\$ 2,289,962	\$ 2,570,279	\$ 12,779	\$ 3,276	\$ 2,302,741	\$ 2,573,555
Other Liabilities	<u>603,518</u>	<u>989,821</u>	<u>39,462</u>	<u>59,877</u>	<u>642,980</u>	<u>1,049,698</u>
Total Liabilities	<u>\$ 2,893,480</u>	<u>\$ 3,560,100</u>	<u>\$ 52,241</u>	<u>\$ 63,153</u>	<u>\$ 2,945,721</u>	<u>\$ 3,623,253</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 4,103,490	\$ 3,905,344	\$ 352,927	\$ 371,668	\$ 4,456,417	\$ 4,277,012
Restricted	1,558,229	1,431,687			1,558,229	1,431,687
Unrestricted	<u>5,082,265</u>	<u>3,703,492</u>	<u>96,446</u>	<u>69,340</u>	<u>5,178,711</u>	<u>3,772,832</u>
Total Net Assets	<u>\$10,743,984</u>	<u>\$ 9,040,523</u>	<u>\$ 449,373</u>	<u>\$ 441,008</u>	<u>\$11,193,357</u>	<u>\$ 9,481,531</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined net assets at March 31, 2006 were \$11,193,357, an increase of \$1,711,826, or 18.1%, from a year ago.

A portion of the Town's net assets, 39.8%, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, 13.9%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets in the amount of \$5,178,711 may be used to meet the Town's ongoing obligations to citizens and creditors.

Consistent with the prior fiscal year, as of the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, for both the government as a whole, as well as for its separate governmental and business-type activities.

Changes in the Town's net assets during the years ended March 31, 2006 and 2005 follows.

### THE TOWN'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activity		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 670,520	\$ 559,639	\$ 925,145	\$ 865,325	\$ 1,595,665	\$ 1,424,964
Operating Grants and Contributions	52,633	70,524		17,405	52,633	87,929
Capital Grants and Contributions	75,959	413,238			75,959	413,238
General Revenues:						
Property Taxes	2,088,116	1,979,199			2,088,116	1,979,199
Local Accommodations Taxes	116,393	106,475			116,393	106,475
Business License Taxes	1,192,406	1,018,750			1,192,406	1,018,750
Franchise Taxes	469,622	446,194			469,622	446,194
Hospitality Fees	615,341	588,603			615,341	588,603
Grants and Contributions not Restricted to Specific Programs	617,989	586,771			617,989	586,771
Investment Earnings	209,305	82,684	2,567	625	211,872	83,309
Gain on Disposal of Capital Assets	7,551	8,489	11,820	11,111	19,371	19,600
Total Revenues	<u>\$ 6,115,835</u>	<u>\$ 5,860,566</u>	<u>\$ 939,532</u>	<u>\$ 894,466</u>	<u>\$ 7,055,367</u>	<u>\$ 6,755,032</u>
Expenses:						
General Government	\$ 704,521	\$ 672,260	\$	\$	\$ 704,521	\$ 672,260
Public Safety	2,010,769	1,837,858			2,010,769	1,837,858
Street	671,498	547,141			671,498	547,141
Intragovernmental						
Maintenance	104,085	80,221			104,085	80,221
Culture and Recreation	397,595	417,418			397,595	417,418
Non-Departmental	390,056	368,337			390,056	368,337
Interest and Fiscal Charges	87,255	93,271			87,255	93,271
Sanitation			915,909	858,613	915,909	858,613
Total Expenses	<u>\$ 4,365,779</u>	<u>\$ 4,016,506</u>	<u>\$ 915,909</u>	<u>\$ 858,613</u>	<u>\$ 5,281,688</u>	<u>\$ 4,875,119</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Increase (Decrease) in Net Assets Before Transfers	\$ 1,750,056	\$ 1,844,060	\$ 23,623	\$ 35,853	\$ 1,773,679	\$ 1,879,913
Transfers	9,618	10,000	(9,618)	(10,000)		
Increase in Net Assets	<u>\$ 1,759,674</u>	<u>\$ 1,854,060</u>	<u>\$ 14,005</u>	<u>\$ 25,853</u>	<u>\$ 1,773,679</u>	<u>\$ 1,879,913</u>
Net Assets - Beginning Adjustment to Beginning Net Assets - (Note 14)	\$ 9,040,523	\$ 7,186,463	\$ 441,008	\$ 415,155	\$ 9,481,531	\$ 7,601,618
	<u>(56,213)</u>		<u>(5,640)</u>		<u>(61,853)</u>	
Net Assets - Beginning, as Restated	<u>\$ 8,984,310</u>	<u>\$ 7,186,463</u>	<u>\$ 435,368</u>	<u>\$ 415,155</u>	<u>\$ 9,419,678</u>	<u>\$ 7,601,618</u>
Net Assets - Ending	<u>\$10,743,984</u>	<u>\$ 9,040,523</u>	<u>\$ 449,373</u>	<u>\$ 441,008</u>	<u>\$11,193,357</u>	<u>\$ 9,481,531</u>

The Town's total revenues amounted to \$7,055,367 for the year ended March 31, 2006. This is an increase of \$300,335, or 4.4%. The total cost of all programs and services was \$5,281,688 (increasing by \$406,569, or 8.3%).

***Governmental Activities***

The Town's net assets from governmental activities increased \$1,703,461, accounting for 99.5% of the total growth in net assets of the Town. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from \$3,703,492 at March 31, 2005 to \$5,082,265 at the end of this year.

The Town's programs for governmental activities include general government, public safety, street, intragovernmental maintenance, culture and recreation and non-departmental. Revenues for the Town's governmental activities increased by 4.4% (\$255,269), while total expenses increased 8.7% (\$349,273).

The cost of all governmental activities this year was \$4,365,779. However, as shown in the statement of activities beginning on page 12, the amount that our taxpayers ultimately financed for these activities was only \$3,566,667 because some of the cost was paid by those who directly benefited from the programs (\$670,520) or by other governments and organizations that subsidized certain programs with grants and contributions (\$128,592). Overall, the Town's governmental program revenues were \$799,112. The Town paid for the remaining "public benefit" portion of governmental activities with general revenues, some of which could only be used for certain programs, totaling \$5,316,723.

***Business-Type Activity***

The Town's business-type activity relates to the provision of sanitation collection services to the residents and businesses of the Town. The Town's net assets from our business-type activity increased \$8,365, which accounts for 0.5% of the total increase in the Town's net assets. Revenues of the Town's business-type activity increased by 5.0% (\$45,066) and expenses increased by 6.7% (\$57,296).

The cost of our business-type activity this year was \$915,909. As shown in the statement of activities which starts on page 12, the amounts paid by users was \$925,145, a gain on the sale of capital assets totaled \$11,820, investment earnings were \$2,567 and transfers out totaled \$9,618.

## The Town's Funds

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

### ***Governmental Funds***

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

As of the end of the current fiscal year, the Town's governmental funds reported combined fund balances of \$6,679,263, an increase of \$1,460,214 in comparison with the prior year. Approximately 98.9% of this total (\$6,604,002) constitutes unreserved fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is reserved for amounts that (a) are not available for spending or (b) are legally restricted for a specific purpose.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,180,881, while total fund balance amounted to \$4,256,142. General Fund's total fund balance increased by \$743,652 during the current fiscal year. The increase is directly attributable to increased business license revenue, construction permit fees, and favorable interest rates.

In the Accommodations Tax Fund, fund balance increased by \$61,776 to \$921,648 at year-end. Town Council has designated fund balance in the amount of \$859,872 for beach renourishment.

Total fund balance of the Hospitality Fund was \$625,830 at March 31, 2006, an increase of \$57,320 from the prior year. Of this total, Town Council has designated \$7,988 for the veteran's memorial.

In the Local Accommodations Tax Fund, fund balance increased by \$2,484 to \$5,789 at March 31, 2006.

The Capital Projects Fund has a fund balance of \$869,854 at year-end. Town Council has designated the entire fund balance for storm water management projects.

### ***Proprietary Fund***

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sanitation Fund at the end of the year amounted to \$96,446. The total increase in net assets for the Sanitation Fund was \$8,365.

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

The original budget was amended during the year. Revenues available for appropriation were \$560,892 above the budgeted amounts. The most significant positive variances are attributable to licenses and permits (\$312,953), and other revenue (\$114,923) of which 74.4% is attributable to interest earnings. The actual charges to appropriations (expenditures) were \$143,883 below the budgeted amounts. The most significant positive variances occurred in the public safety (\$68,129), and culture and recreation (\$66,065) functions. In both cases the variance is due to unfilled budgeted staff positions. A negative variance occurred in the street function (\$13,992), which is due to stormwater lake maintenance.

Budget to actual comparisons for the General Fund can be found on page 43.

**Capital Asset and Debt Administration**

***Capital Assets***

The Town's investment in capital assets for its governmental and business-type activities as of March 31, 2006 amounted to \$6,930,903, net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, machinery, equipment, vehicles and infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was \$100,213, or 1.5%, for governmental activities and \$18,741, or 5.0%, for our business-type activity.

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

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 1,694,393	\$ 1,694,393	\$	\$	\$ 1,694,393	\$ 1,694,393
Land Improvements	367,710	270,932			367,710	270,932
Buildings and Improvements	998,128	1,038,990	8,418	10,437	1,006,546	1,049,427
Machinery, Equipment and Vehicles	1,159,897	1,350,175	344,509	361,231	1,504,406	1,711,406
Infrastructure	2,251,887	2,235,400			2,251,887	2,235,400
Construction-in-Progress	<u>105,961</u>	<u>88,299</u>			<u>105,961</u>	<u>88,299</u>
	<u>\$ 6,577,976</u>	<u>\$ 6,678,189</u>	<u>\$ 352,927</u>	<u>\$ 371,668</u>	<u>\$ 6,930,903</u>	<u>\$ 7,049,857</u>

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

Major capital asset additions during the current fiscal year included the following:

2006 Knuckleboom	\$ 76,880
Playground Equipment	23,028
Ocean Blvd Sidewalk	78,413
Stormwater Project	93,248

***Debt***

At year-end, the Town had \$2,555,000 in outstanding general obligation bonds compared to \$2,865,000 last year, a decrease of 10.8%.

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

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$ <u>2,555,000</u>	\$ <u>2,865,000</u>	\$ _____	\$ _____	\$ <u>2,555,000</u>	\$ <u>2,865,000</u>

The Town maintains a credit rating of Aaa for general obligation bonded debt. Under current state statutes, the Town's general obligation debt issuances are subject to a legal limitation base of 8% of total assessed value. General obligation debt issued pursuant to referendum is not subject to the limitations. As of March 31, 2006, the amount of new debt, which could be issued without referendum, was \$3,116,605.

Other long-term obligations of the Town include compensated absences. More detailed information about the Town's long-term liabilities is presented in Note 10 to the financial statements.

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

The Town's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates and fees that will be charged for our business-type activity. Some of those factors are the economy, the population growth rate, tourism trends and inflation rates.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2007. Revenues available for appropriation in the General Fund budget are \$4,401,785, an increase of 8.2% over the final fiscal year 2006 budget of \$4,067,835. Licenses and permits are expected to lead this increase. The Town will use these increases in revenues to finance programs we currently offer and the effect that we expect inflation to have on program costs. Budgeted expenditures are expected to rise to \$4,962,650 from \$4,389,290 in fiscal year 2006. The Town has added no major new programs or initiatives to the fiscal year 2007 budget.

As for the Town's business-type activity, the rates for sanitation collection service for residential customers will increase \$3.00 per month for fiscal year 2007, while the rates for sanitation collection service for commercial customers will remain unchanged. In addition, the rates for sanitation collection for our summer service customers will increase \$9.00 per month.

**Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Finance Department at 115 U.S. Highway 17 North, Surfside Beach, South Carolina 29575 or phone (843) 913-6111.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**March 31, 2006**

	Governmental Activities	Business-Type Activity	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,128,478	\$ 55,039	\$ 6,183,517
Receivables (Net of Allowance)	292,303	102,509	394,812
Internal Balances	21,094	(21,094)	
Inventories	9,252		9,252
Prepaid Assets	61,047	12,233	73,280
Investments	453,386		453,386
Restricted Cash and Cash Equivalents	36,466		36,466
Land and Construction in Progress	1,800,354		1,800,354
Other Capital Assets (Net)	4,777,622	352,927	5,130,549
Deferred Bond Issuance Costs (Net)	57,462		57,462
Total Assets	\$ 13,637,464	\$ 501,614	\$ 14,139,078
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 146,148	\$ 23,004	\$ 169,152
Accrued Salaries	53,243	8,027	61,270
Accrued Interest Payable	5,763		5,763
Liabilities Payable From Restricted Assets	36,466		36,466
Noncurrent Liabilities:			
Due Within One Year	361,898	8,431	370,329
Due in More Than One Year	2,289,962	12,779	2,302,741
Total Liabilities	\$ 2,893,480	\$ 52,241	\$ 2,945,721
<b>NET ASSETS</b>			
Invested In Capital Assets, Net of Related Debt	\$ 4,103,490	\$ 352,927	\$ 4,456,417
Restricted For Tourism Promotion and Support	1,553,267		1,553,267
Restricted For Drug Enforcement	4,962		4,962
Unrestricted	5,082,265	96,446	5,178,711
Total Net Assets	\$ 10,743,984	\$ 449,373	\$ 11,193,357

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



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2006**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 704,521	\$ 104,791	\$	\$
Public Safety	2,010,769	511,478	13,466	
Street	671,498			68,085
Intragovernmental Maintenance	104,085			
Culture and Recreation	397,595	54,251	31,630	7,874
Non-Departmental	390,056		7,537	
Interest and Fiscal Charges	87,255			
Total Governmental Activities	\$ 4,365,779	\$ 670,520	\$ 52,633	\$ 75,959
<b>Business-Type Activity:</b>				
Sanitation	\$ 915,909	\$ 925,145	\$	\$
<b>Total</b>	<b>\$ 5,281,688</b>	<b>\$ 1,595,665</b>	<b>\$ 52,633</b>	<b>\$ 75,959</b>

General Revenues:

- Property Taxes
- Local Accommodations Taxes
- Business Licenses Taxes
- Franchise Taxes
- Hospitality Fees
- Grants and Contributions not Restricted to Specific Programs
- Investment Earnings
- Gain on Disposal of Capital Assets
- Transfers
- Total General Revenues and Transfers

**Change in Net Assets**

**Net Assets - Beginning**

Adjustment to Beginning Net Assets (Note 14)

**Net Assets - Ending**

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
\$ (599,730)	\$	\$ (599,730)
(1,485,825)		(1,485,825)
(603,413)		(603,413)
(104,085)		(104,085)
(303,840)		(303,840)
(382,519)		(382,519)
(87,255)		(87,255)
<u>\$ (3,566,667)</u>	<u>\$</u>	<u>\$ (3,566,667)</u>
<u>\$</u>	<u>\$ 9,236</u>	<u>\$ 9,236</u>
<u>\$ (3,566,667)</u>	<u>\$ 9,236</u>	<u>\$ (3,557,431)</u>
\$ 2,088,116	\$	\$ 2,088,116
116,393		116,393
1,192,406		1,192,406
469,622		469,622
615,341		615,341
617,989		617,989
209,305	2,567	211,872
7,551	11,820	19,371
9,618	(9,618)	
<u>\$ 5,326,341</u>	<u>\$ 4,769</u>	<u>\$ 5,331,110</u>
\$ 1,759,674	\$ 14,005	\$ 1,773,679
9,040,523	441,008	9,481,531
<u>(56,213)</u>	<u>(5,640)</u>	<u>(61,853)</u>
<u>\$ 10,743,984</u>	<u>\$ 449,373</u>	<u>\$ 11,193,357</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2006**

	<u>General Fund</u>	<u>Accommodations Tax Fund</u>	<u>Hospitality Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,718,759	\$ 922,955	\$ 617,421
Receivables (Net):			
Property Taxes	90,452		
Hospitality Fees			31,250
Local Accommodations Taxes			
Intergovernmental	114,696	11,767	672
Other	39,156	250	660
Due From Other Funds	27,497		
Inventories	9,252		
Prepaid Assets	61,047		
Investments	453,386		
Restricted Cash and Cash Equivalents	<u>36,466</u>		
Total Assets	<u>\$ 4,550,711</u>	<u>\$ 934,972</u>	<u>\$ 650,003</u>

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

<u>Local Accommodations Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 2,671	\$ 866,672	\$ 6,128,478
		90,452
		31,250
3,026		3,026
		127,135
92	282	40,440
	6,843	34,340
		9,252
		61,047
		453,386
		36,466
<u>\$ 5,789</u>	<u>\$ 873,797</u>	<u>\$ 7,015,272</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2006**

	General Fund	Accommodations Tax Fund	Hospitality Fund
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable and Accrued Expenses	\$ 112,683	\$ 5,349	\$ 24,173
Accrued Salaries	51,671	1,572	
Compensated Absences	7,379		
Due To Other Funds	6,843	6,403	
Payable From Restricted Assets:			
Bail Bonds	16,816		
Drug Funds	19,650		
Deferred Revenue	79,527		
Total Liabilities	\$ 294,569	\$ 13,324	\$ 24,173
Fund Balances:			
Reserved for:			
Inventories	\$ 9,252	\$	\$
Prepaid Assets	61,047		
Drug Enforcement	4,962		
Unreserved, Reported in:			
General Fund:			
Designated for Capital Replacements	720,835		
Designated for Cash Flow Requirements	300,000		
Designated for Emergencies	100,000		
Designated for Land	425,666		
Designated for Street Improvements	732,716		
Undesignated	1,901,664		
Special Revenue Funds:			
Designated for Beach Renourishment		859,872	
Designated for Veterans Memorial			7,988
Undesignated		61,776	617,842
Capital Projects Fund:			
Designated for Storm Water Projects			
Total Fund Balances	\$ 4,256,142	\$ 921,648	\$ 625,830
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,550,711</b>	<b>\$ 934,972</b>	<b>\$ 650,003</b>

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

<u>Local Accommodations Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$	\$ 3,943	\$ 146,148
		53,243
		7,379
		13,246
		16,816
		19,650
		79,527
<u>\$</u>	<u>\$ 3,943</u>	<u>\$ 336,009</u>
\$	\$	\$ 9,252
		61,047
		4,962
		720,835
		300,000
		100,000
		425,666
		732,716
		1,901,664
		859,872
		7,988
5,789		685,407
	869,854	869,854
<u>\$ 5,789</u>	<u>\$ 869,854</u>	<u>\$ 6,679,263</u>
<u>\$ 5,789</u>	<u>\$ 873,797</u>	<u>\$ 7,015,272</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**March 31, 2006**

Total Fund Balances - Total Governmental Funds	\$ 6,679,263
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,577,976
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	79,527
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,592,782)</u>
<b>Net Assets of Governmental Activities</b>	<b>\$ <u><u>10,743,984</u></u></b>

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



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2006**

	<u>General Fund</u>	<u>Accommodations Tax Fund</u>	<u>Hospitality Fund</u>
<b>REVENUES</b>			
Property Taxes	\$ 1,859,191	\$	\$
Franchise Taxes	469,622		
Hospitality Fees			615,341
Local Accommodations Taxes			
Licenses and Permits	1,538,253		
Fines and Forfeitures	143,450		
Intergovernmental	295,018	407,655	30,708
Other	323,193	36,384	30,834
<b>Total Revenues</b>	<u>\$ 4,628,727</u>	<u>\$ 444,039</u>	<u>\$ 676,883</u>
<b>EXPENDITURES</b>			
Current:			
General Government	\$ 698,260	\$	\$
Public Safety	1,738,921	119,902	57,403
Street	511,087	18,650	21,808
Intragovernmental Maintenance	106,545		
Culture and Recreation	358,470		4,474
Non-Departmental	166,583	159,267	5,883
Capital Outlay	84,411	40,000	72,995
Debt Service:			
Principal	310,000		
Interest	75,350		
Agent Fees	780		
<b>Total Expenditures</b>	<u>\$ 4,050,407</u>	<u>\$ 337,819</u>	<u>\$ 162,563</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 578,320</u>	<u>\$ 106,220</u>	<u>\$ 514,320</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ 226,133	\$	\$
Transfers Out	(65,000)	(44,133)	(457,000)
Proceeds From Sale of Capital Assets	5,487		
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 166,620</u>	<u>\$ (44,133)</u>	<u>\$ (457,000)</u>
<b>Net Change in Fund Balances</b>	\$ 744,940	\$ 62,087	\$ 57,320
<b>Fund Balances - Beginning</b>	3,512,490	859,872	568,510
Adjustment to Beginning Fund Balances (Note 14)	<u>(1,288)</u>	<u>(311)</u>	
<b>Fund Balances - Ending</b>	<u>\$ 4,256,142</u>	<u>\$ 921,648</u>	<u>\$ 625,830</u>

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

<u>Local Accommodations Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$	\$ 230,239	\$ 2,089,430
		469,622
		615,341
116,393		116,393
		1,538,253
		143,450
		733,381
1,091	14,656	406,158
<u>\$ 117,484</u>	<u>\$ 244,895</u>	<u>\$ 6,112,028</u>
\$	\$	\$ 698,260
		1,916,226
	31,058	582,603
		106,545
		362,944
		331,733
	83,855	281,261
		310,000
		75,350
		780
<u>\$</u>	<u>\$ 114,913</u>	<u>\$ 4,665,702</u>
<u>\$ 117,484</u>	<u>\$ 129,982</u>	<u>\$ 1,446,326</u>
\$	\$ 465,000	\$ 691,133
(115,000)		(681,133)
		5,487
<u>\$ (115,000)</u>	<u>\$ 465,000</u>	<u>\$ 15,487</u>
\$ 2,484	\$ 594,982	\$ 1,461,813
3,305	274,872	5,219,049
		(1,599)
<u>\$ 5,789</u>	<u>\$ 869,854</u>	<u>\$ 6,679,263</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended March 31, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ 1,461,813

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (44,851)

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the capital assets sold. (748)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,314)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 310,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 34,774

**Change in Net Assets of Governmental Activities** **\$ 1,759,674**

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**March 31, 2006**

	<u>Sanitation Enterprise Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 55,039
Receivables (Net):	
Accounts	102,311
Other	198
Prepaid Assets	<u>12,233</u>
Total Current Assets	\$ <u>169,781</u>
Noncurrent Assets:	
Other Capital Assets (Net)	\$ <u>352,927</u>
Total Assets	\$ <u>522,708</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 23,004
Accrued Salaries	8,027
Compensated Absences	8,431
Due to Other Funds	<u>21,094</u>
Total Current Liabilities	\$ <u>60,556</u>
Noncurrent Liabilities:	
Compensated Absences	\$ <u>12,779</u>
Total Liabilities	\$ <u>73,335</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	\$ 352,927
Unrestricted	<u>96,446</u>
Total Net Assets	\$ <u><u>449,373</u></u>

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**Year Ended March 31, 2006**

	<u>Sanitation Enterprise Fund</u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ <u>925,145</u>
<b>OPERATING EXPENSES</b>	
Personnel Service and Related Expenses	\$ 440,643
Maintenance and Service Contracts	239,730
Materials and Supplies	16,774
Repairs and Maintenance	957
Depreciation	105,041
Other Operating Expenses	112,764
Total Operating Expenses	\$ <u>915,909</u>
Operating Income	\$ <u>9,236</u>
<b>NONOPERATING REVENUES</b>	
Interest Earnings	\$ 2,567
Gain on Disposal of Capital Assets	11,820
Total Nonoperating Revenues	\$ <u>14,387</u>
Income Before Transfers and Capital Contributions	\$ 23,623
Capital Contributions	382
Transfers Out	<u>(10,000)</u>
<b>Change in Net Assets</b>	\$ 14,005
<b>Total Net Assets - Beginning</b>	441,008
Adjustment to Beginning Net Assets (Note 14)	<u>(5,640)</u>
<b>Total Net Assets - Ending</b>	\$ <u><u>449,373</u></u>

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**Year Ended March 31, 2006**

	<u>Sanitation Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 918,736
Payments to Suppliers	(361,467)
Payments to Employees	(457,952)
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 99,317</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers Out	\$ (10,000)
Net Cash and Cash Equivalents Used by Noncapital Financing Activities	<u>\$ (10,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	\$ (89,105)
Proceeds from Disposal of Capital Assets	11,820
Net Cash and Cash Equivalents Used by Capital and Related Financing Activities	<u>\$ (77,285)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	\$ 2,416
Net Cash and Cash Equivalents Provided by Investing Activities	<u>\$ 2,416</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>\$ 14,448</b>
<b>Cash and Cash Equivalents - Beginning</b>	<u>40,591</u>
<b>Cash and Cash Equivalents - Ending</b>	<u><u>\$ 55,039</u></u>

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**Year Ended March 31, 2006**

	<u>Sanitation Enterprise Fund</u>
<b>Reconciliation of Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities</b>	
Operating Income	\$ 9,236
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation	105,041
(Increase) in Accounts Receivable (Net)	(6,409)
(Increase) in Prepaid Assets	(7,737)
Increase in Accounts Payable	3,945
(Decrease) in Accrued Salaries	(10,876)
(Decrease) in Compensated Absences	(6,434)
Increase in Due to Other Funds	12,551
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 99,317</u>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Contribution of Capital Assets from Government	<u>\$ 382</u>

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**Year Ended March 31, 2006**

**ASSETS**

Cash and Cash Equivalents	\$ <u>59,999</u>
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**LIABILITIES**

Due to Town Firemen's Association	\$ <u>59,999</u>
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The accompanying notes are an integral part of the financial statements.



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

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

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

The Town's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town applies all relevant GASB pronouncements. The Town is also required to apply, when applicable, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Although the Town has the option of applying FASB pronouncements issued after that date to its business-type activity and enterprise fund, the Town has chosen not to do so.

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

**A. Reporting Entity**

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

**B. Government-Wide Financial Statements**

The Town's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of its nonfiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues.

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

**C. Fund Financial Statements**

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

Governmental Funds

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

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

Proprietary Fund

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

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

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

Fiduciary Fund

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

The Town's major proprietary fund is as follows:

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**E. Cash and Investments**

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

Investments are stated at fair value. Changes in the fair value of investments are included as a component of investment income. The Town uses quoted market prices to determine the fair value of investments.

The fair value of the Town's position in the South Carolina Local Government Investment Pool (SCLGIP) is the same as the value of the pool shares. The SCLGIP is not registered with the Securities and Exchange Commission as an investment company. The State Treasurer is responsible for oversight of the SCLGIP.

**F. Receivables**

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

**G. Interfund Activity**

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

Loans are referred to as "due to/from other funds." Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as "internal balances." Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**H. Inventories**

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

**I. Prepaid Assets**

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

**J. Restricted Assets**

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

**K. Capital Assets**

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

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

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

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

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

**L. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unused sick leave may be accumulated to a total of ninety days. Upon separation from Town service or upon accumulation of the maximum amount of sick leave, an employee is entitled to reimbursement on a one day for each three days accumulated basis. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**M. Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**N. Equity Classifications**

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

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

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

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

In the governmental fund financial statements, equity is classified as fund balance. Fund balance is reserved for amounts that are not available for appropriation or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**O. Revenues and Expenses**

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

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

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

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

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

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

The governmental funds balance sheet is followed by a reconciliation between total fund balances - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. The details of the element in the reconciliation that relates to long-term liabilities (\$2,592,782) follows:

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

Bonds Payable (Net)	\$	2,531,948
Compensated Absences		112,533
Accrued Interest Payable		5,763
Deferred Bond Issuance Costs (Net)		<u>(57,462)</u>
Total	\$	<u><u>2,592,782</u></u>

The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between net change in fund balances - total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation that relates to capital outlays (\$44,851) is comprised of the following:

Depreciation Expense	\$	353,166
Capital Outlay		<u>(308,315)</u>
Total	\$	<u><u>44,851</u></u>

Another element of the reconciliation that relates to expenses that do not require the use of current financial resources (\$34,774) is comprised of the following:

Compensated Absences	\$	45,899
Accrued Interest		516
Amortization of Bond Issuance Costs		(8,308)
Amortization of Bond Premium		3,617
Amortization of Loss on Advance Refunding		<u>(6,950)</u>
Total	\$	<u><u>34,774</u></u>

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

**A. Excess of Expenditures Over Appropriations**

The legal level of budget control is at the fund level. Thus, expenditures may not legally exceed appropriations, including supplemental appropriations, for an individual fund. For the year ended March 31, 2006, expenditures did not exceed appropriations for any of the Town's individual funds.

**B. Deficit Fund Equity**

At March 31, 2006, none of the Town's individual funds have fund equity deficits.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**Note 4 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

At year end, the carrying amount of the Town's deposits with financial institutions was \$1,188,467 and the corresponding bank balance was \$1,307,839. Cash on hand was \$1,200.

*Custodial Credit Risk* - For deposits, this is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of March 31, 2006, none of the Town's bank balances were exposed to custodial credit risk.

**B. Investments**

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

As of March 31, 2006, the Town's investments consisted solely of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$5,543,701. It is the policy of the State Treasurer that the weighted average maturity of the LGIP portfolio not exceed 60 days.

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

*Credit Risk* - The Town's investment in the SCLGIP was unrated. Funds deposited into the State Treasurer's investment pool are used to purchase: 1) direct obligations of the U.S. government, 2) federal agency securities, 3) repurchase agreements secured by the U.S. government and/or federal agency securities and 4) commercial paper rated A1/P1 (S&P/Moody's highest rating).

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

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

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**Note 5 - RECEIVABLES**

Receivables at March 31, 2006, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>A-Tax Fund</u>	<u>Hospitality Fund</u>	<u>Local A-Tax Fund</u>
Property Taxes	\$ 165,036	\$	\$	\$
Hospitality Fees			31,250	
Local Accommodations Taxes				3,026
Intergovernmental	114,696	11,767	672	
Customer Accounts				
Other	<u>39,156</u>	<u>250</u>	<u>660</u>	<u>92</u>
	\$ 318,888	\$ 12,017	\$ 32,582	\$ 3,118
Allowance for Doubtful Accounts	<u>(74,584)</u>			
Net Receivables	<u>\$ 244,304</u>	<u>\$ 12,017</u>	<u>\$ 32,582</u>	<u>\$ 3,118</u>

	<u>Capital Projects Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
Property Taxes	\$	\$	\$ 165,036
Hospitality Fees			31,250
Local Accommodations Taxes			3,026
Intergovernmental			127,135
Customer Accounts		103,111	103,111
Other	<u>282</u>	<u>198</u>	<u>40,638</u>
	\$ 282	\$ 103,309	\$ 470,196
Allowance for Doubtful Accounts		<u>(800)</u>	<u>(75,384)</u>
Net Receivables	<u>\$ 282</u>	<u>\$ 102,509</u>	<u>\$ 394,812</u>

On November 19, 2001, the Town entered into a sanitation collection billing agreement with Grand Strand Water & Sewer Authority (GSWSA). The agreement requires GSWSA to administer the Town's sanitation billing and collection process. The Town is charged \$1 per account each month for this service and receives the amounts collected by GSWSA monthly.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

Oustanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At March 31, 2006, interfund receivables and payables resulting from various interfund transactions were as follows. All balances are expected to be repaid within the following year.

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 27,497	\$ 6,843
Accommodations Tax Fund		6,403
Capital Projects Fund	6,843	
Sanitation Fund		<u>21,094</u>
Total	<u>\$ 34,340</u>	<u>\$ 34,340</u>

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 226,133	\$ 65,000
Accommodations Tax Fund		44,133
Hospitality Fund		457,000
Local Accommodations Tax Fund		115,000
Capital Projects Fund	465,000	
Sanitation Fund		<u>10,000</u>
Total	<u>\$ 691,133</u>	<u>\$ 691,133</u>

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

The Town's restricted cash and cash equivalents consisted of the following at March 31, 2006:

Governmental Activities:

General Fund:		
Bail Bonds		\$ 16,816
Drug Funds		<u>19,650</u>
Total		<u>\$ 36,466</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**Note 8 - CAPITAL ASSETS**

The Town's capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 1,694,393	\$	\$	\$ 1,694,393
Construction in Progress	<u>88,299</u>	<u>25,501</u>	<u>(7,839)</u>	<u>105,961</u>
	\$ <u>1,782,692</u>	\$ <u>25,501</u>	\$ <u>(7,839)</u>	\$ <u>1,800,354</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 418,806	\$ 107,541	\$	\$ 526,347
Buildings and Improvements	1,548,787	6,840		1,555,627
Machinery, Equipment and Vehicles	3,081,411	91,524	(203,806)	2,969,129
Infrastructure	<u>2,268,255</u>	<u>93,248</u>		<u>2,361,503</u>
	\$ <u>7,317,259</u>	\$ <u>299,153</u>	\$ <u>(203,806)</u>	\$ <u>7,412,606</u>
Less Accumulated Depreciation for:				
Land Improvements	\$ (147,874)	\$ (19,344)	\$ 8,581	\$ (158,637)
Buildings and Improvements	(509,797)	(48,561)	859	(557,499)
Machinery, Equipment and Vehicles	(1,731,236)	(208,422)	130,426	(1,809,232)
Infrastructure	<u>(32,855)</u>	<u>(76,839)</u>	<u>78</u>	<u>(109,616)</u>
	\$ <u>(2,421,762)</u>	\$ <u>(353,166)</u>	\$ <u>139,944</u>	\$ <u>(2,634,984)</u>
Capital Assets (Net)	\$ <u><u>6,678,189</u></u>	\$ <u><u>(28,512)</u></u>	\$ <u><u>(71,701)</u></u>	\$ <u><u>6,577,976</u></u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Buildings	\$ 20,200	\$	\$	\$ 20,200
Machinery, Equipment and Vehicles	<u>824,755</u>	<u>112,412</u>	<u>(92,886)</u>	<u>844,281</u>
	\$ <u>844,955</u>	\$ <u>112,412</u>	\$ <u>(92,886)</u>	\$ <u>864,481</u>
Less Accumulated Depreciation for:				
Buildings	\$ (9,763)	\$ (2,019)	\$	\$ (11,782)
Machinery, Equipment and Vehicles	<u>(463,524)</u>	<u>(125,945)</u>	<u>89,697</u>	<u>(499,772)</u>
	\$ <u>(473,287)</u>	\$ <u>(127,964)</u>	\$ <u>89,697</u>	\$ <u>(511,554)</u>
Capital Assets (Net)	\$ <u><u>371,668</u></u>	\$ <u><u>(15,552)</u></u>	\$ <u><u>(3,189)</u></u>	\$ <u><u>352,927</u></u>

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

Governmental Activities:	
General Government	\$ 6,776
Public Safety	130,610
Street	127,045
Culture and Recreation	30,412
Non-Departmental	<u>58,323</u>
Total	\$ <u><u>353,166</u></u>
Business-Type Activity:	
Sanitation	\$ <u>105,041</u>
Total	\$ <u><u>105,041</u></u>

**Note 9 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At March 31, 2006, deferred revenue is comprised of delinquent property taxes receivable in the amount of \$79,527 that are considered unavailable.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**Note 10 - LONG-TERM LIABILITIES**

**A. Governmental Activities**

At March 31, 2006, long-term debt of the Town's governmental activities was as follows:

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding</u>
General Obligation Bonds:				
Refunding Series 2004	\$ <u>3,165,000</u>	2.0 - 3.0%	3/1/13	\$ <u>2,555,000</u>

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

Year Ending March 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 320,000	\$ 69,150	\$ 389,150
2008	330,000	62,750	392,750
2009	345,000	54,500	399,500
2010	370,000	45,875	415,875
2011	375,000	35,700	410,700
2012 - 2013	<u>815,000</u>	<u>36,900</u>	<u>851,900</u>
Total	\$ <u>2,555,000</u>	\$ <u>304,875</u>	\$ <u>2,859,875</u>

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

The Town's long-term liability activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 2,865,000		\$ (310,000)	\$ 2,555,000	\$ 320,000
Premium	28,634		(3,617)	25,017	
Loss on Refunding	<u>(55,019)</u>		<u>6,950</u>	<u>(48,069)</u>	
	\$ 2,838,615		\$ (306,667)	\$ 2,531,948	\$ 320,000
Compensated Absences	<u>158,432</u>	<u>33,416</u>	<u>(71,936)</u>	<u>119,912</u>	<u>41,898</u>
Total	\$ <u>2,997,047</u>	\$ <u>33,416</u>	\$ <u>(378,603)</u>	\$ <u>2,651,860</u>	\$ <u>361,898</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activity:					
Compensated Absences	\$ 27,644	\$ 13,480	\$ (19,914)	\$ 21,210	\$ 8,431

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

**Note 11- RETIREMENT PLANS**

**A. Plan Description**

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

**B. Funding Policy**

Members of the PORS and SCRS are required to contribute at rates of 6.5% and 6.25% (6.0% through June of 2005) of their covered wages, respectively. The Town is required to contribute at actuarially determined rates, currently 10.5% of PORS member wages and 7.7% (6.85% through June of 2005) of SCRS member wages. The contribution requirements of plan members and the Town are established and may be amended by the South Carolina Retirement Systems. The Town's contributions to the PORS for the fiscal years ended March 31, 2006, 2005, and 2004 were \$75,562, \$68,927, and \$62,484, respectively. The Town's contributions to the SCRS for the fiscal years ended March 31, 2006, 2005, and 2004 were \$113,237, \$95,822, and \$93,203, respectively. The contributions made by the Town to the PORS and SCRS, as shown above, were equal to the required contributions for each year.

**Note 12 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these losses, the Town purchases insurance. There were no significant reductions in insurance coverage from the previous year. Settled claims have not exceeded insurance coverage for the past three fiscal years ended March 31, 2006, 2005, and 2004. The Town also acquires insurance for job related injury and illness (workers' compensation) for its employees. Workers' compensation is insured under a retrospectively rated policy where premiums paid are estimated throughout the year and adjusted subsequent to the policy period based on actual experience.

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**Note 13 - LITIGATION AND CONTINGENCIES**

The Town is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable; however, the Town does not believe the settlement of these matters will have a material effect on the financial condition of the Town.

The Town also participates in federal and/or state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The Town expects such amounts, if any, to be immaterial.

**Note 14 - NET ASSETS RESTATEMENT**

During the current fiscal year, the Town recorded the following adjustments to beginning net assets/fund balances, as appropriate:

	Governmental Activities	Business-Type Activity
	<u>                    </u>	<u>                    </u>
Net Assets, as Originally Reported	\$ 9,040,523	\$ 441,008
Capital Assets	(54,614)	(3,189)
Accrued Salaries	(14,310)	(2,451)
Seized Drug Funds	12,711	
Net Assets, as Restated	<u>\$ 8,984,310</u>	<u>\$ 435,368</u>

The net effect of these adjustments overstated the March 31, 2005 change in net assets of governmental activities and business-type activities by \$56,213 and \$5,640, respectively, and overstated the March 31, 2005 change in fund balances of the General Fund and Accommodations Tax Fund by \$1,288 and \$311, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended March 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,818,000	\$ 1,818,000	\$ 1,859,191	\$ 41,191
Franchise Fees	424,515	424,515	469,622	45,107
Licenses and Permits	1,225,300	1,225,300	1,538,253	312,953
Fines and Forfeitures	117,000	117,000	143,450	26,450
Intergovernmental	274,120	274,120	295,018	20,898
Other	208,900	208,900	323,193	114,293
Total Revenues	\$ 4,067,835	\$ 4,067,835	\$ 4,628,727	\$ 560,892
<b>EXPENDITURES</b>				
Current:				
General Government	\$ 707,885	\$ 707,885	\$ 698,260	\$ 9,625
Public Safety	1,807,050	1,807,050	1,738,921	68,129
Street	479,095	497,095	511,087	(13,992)
Intragovernmental Maintenance	111,830	111,830	106,545	5,285
Culture and Recreation	424,535	424,535	358,470	66,065
Non-Departmental	172,545	172,545	166,583	5,962
Capital Outlay	299,500	86,500	84,411	2,089
Debt Service:				
Principal	310,000	310,000	310,000	
Interest	75,350	75,350	75,350	
Agent Fees	1,500	1,500	780	720
Total Expenditures	\$ 4,389,290	\$ 4,194,290	\$ 4,050,407	\$ 143,883
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (321,455)	\$ (126,455)	\$ 578,320	\$ 704,775
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 219,000	\$ 219,000	\$ 226,133	\$ 7,133
Transfers Out	(65,000)	(65,000)	(65,000)	
Proceeds From Sale of Capital Assets	7,000	7,000	5,487	(1,513)
Total Other Financing Sources (Uses)	\$ 161,000	\$ 161,000	\$ 166,620	\$ 5,620
<b>Net Change in Fund Balances</b>	\$ (160,455)	\$ 34,545	\$ 744,940	\$ 710,395
<b>Fund Balances - Beginning</b>	3,512,490	3,512,490	3,512,490	
Adjustment to Beginning Fund Balances	(1,288)	(1,288)	(1,288)	
<b>Fund Balances - Ending</b>	\$ 3,350,747	\$ 3,545,747	\$ 4,256,142	\$ 710,395

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**ACCOMMODATIONS TAX FUND**  
**Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 372,000	\$ 372,000	\$ 407,655	\$ 35,655
Other	11,000	11,000	36,384	25,384
Total Revenues	<u>\$ 383,000</u>	<u>\$ 383,000</u>	<u>\$ 444,039</u>	<u>\$ 61,039</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	\$ 116,000	\$ 113,000	\$ 119,902	\$ (6,902)
Street	18,000	18,000	18,650	(650)
Non-Departmental	183,250	171,350	159,267	12,083
Capital Outlay	5,000	52,000	40,000	12,000
Total Expenditures	<u>\$ 322,250</u>	<u>\$ 354,350</u>	<u>\$ 337,819</u>	<u>\$ 16,531</u>
Excess of Revenues Over Expenditures	\$ 60,750	\$ 28,650	\$ 106,220	\$ 77,570
<b>OTHER FINANCING (USES)</b>				
Transfers Out	<u>\$ (42,000)</u>	<u>\$ (42,000)</u>	<u>\$ (44,133)</u>	<u>\$ (2,133)</u>
<b>Net Change in Fund Balances</b>	\$ 18,750	\$ (13,350)	\$ 62,087	\$ 75,437
<b>Fund Balances - Beginning</b>	859,872	859,872	859,872	
Adjustment to Beginning Fund Balances	<u>(311)</u>	<u>(311)</u>	<u>(311)</u>	
<b>Fund Balances - Ending</b>	<u>\$ 878,311</u>	<u>\$ 846,211</u>	<u>\$ 921,648</u>	<u>\$ 75,437</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**HOSPITALITY FUND**  
**Year Ended March 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Hospitality Fees	\$ 585,000	\$ 585,000	\$ 615,341	\$ 30,341
Intergovernmental			30,708	30,708
Other	13,500	13,500	30,834	17,334
Total Revenues	<u>\$ 598,500</u>	<u>\$ 598,500</u>	<u>\$ 676,883</u>	<u>\$ 78,383</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	\$ 55,000	\$ 55,000	\$ 57,403	\$ (2,403)
Street	30,000	30,000	21,808	8,192
Culture and Recreation	7,500	7,500	4,474	3,026
Non-Departmental	11,000	11,000	5,883	5,117
Capital Outlay	80,000	80,000	72,995	7,005
Total Expenditures	<u>\$ 183,500</u>	<u>\$ 183,500</u>	<u>\$ 162,563</u>	<u>\$ 20,937</u>
Excess of Revenues Over Expenditures	\$ 415,000	\$ 415,000	\$ 514,320	\$ 99,320
<b>OTHER FINANCING (USES)</b>				
Transfers Out	\$ (457,000)	\$ (457,000)	\$ (457,000)	\$ _____
<b>Net Change in Fund Balances</b>	\$ (42,000)	\$ (42,000)	\$ 57,320	\$ 99,320
<b>Fund Balances - Beginning</b>	<u>568,510</u>	<u>568,510</u>	<u>568,510</u>	<u>_____</u>
<b>Fund Balances - Ending</b>	<u>\$ 526,510</u>	<u>\$ 526,510</u>	<u>\$ 625,830</u>	<u>\$ 99,320</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**LOCAL ACCOMMODATIONS TAX FUND**  
**Year Ended March 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Accommodations Taxes	\$ 110,000	\$ 110,000	\$ 116,393	\$ 6,393
Other			1,091	1,091
Total Revenues	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 117,484</u>	<u>\$ 7,484</u>
<b>OTHER FINANCING (USES)</b>				
Transfers Out	\$ (110,000)	\$ (120,000)	\$ (115,000)	\$ 5,000
<b>Net Change in Fund Balances</b>	\$	\$ (10,000)	\$ 2,484	\$ 12,484
<b>Fund Balances - Beginning</b>	<u>3,305</u>	<u>3,305</u>	<u>3,305</u>	
<b>Fund Balances - Ending</b>	<u>\$ 3,305</u>	<u>\$ (6,695)</u>	<u>\$ 5,789</u>	<u>\$ 12,484</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**March 31, 2006**

**Note 1 - BUDGETS AND BUDGETARY ACCOUNTING**

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

1. Prior to March 1<sup>st</sup>, the Town Administrator submits to Town Council a proposed operating budget for the fiscal year commencing April 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
4. The Town Administrator is authorized to transfer budgeted amounts between departments within any fund; however, revisions that alter the total expenditures of any fund must be approved by Town Council. Thus, the legal level of control is at the fund level.
5. The Town employs formal budgetary integration as a management control device during the year and generally adopts an annual appropriated budget for all funds other than fiduciary funds. The budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Appropriations lapse at the end of each fiscal year.

**Note 2 - SUPPLEMENTAL APPROPRIATIONS**

The legal level of budget control is at the fund level. Thus, expenditures may not legally exceed appropriations, including supplemental appropriations, for an individual fund. For the year ended March 31, 2006, expenditures did not exceed appropriations for any of the Town's individual funds. Supplemental funds were appropriated for expenditures during the year ended March 31, 2006 as follows:

Accommodations Tax Fund	\$ 32,100
Local Accommodations Tax Fund	10,000
Sanitation Fund	20,000

## **INDIVIDUAL FUND STATEMENT**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIREMEN'S FUND**  
**Year Ended March 31, 2006**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ <u>35,802</u>	\$ <u>30,059</u>	\$ <u>5,862</u>	\$ <u>59,999</u>
<b>LIABILITIES</b>				
Due to Town Firemen's Association	\$ <u>35,802</u>	\$ <u>30,059</u>	\$ <u>5,862</u>	\$ <u>59,999</u>

**OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$ 180,000	\$ 180,000	\$ 230,239	\$ 50,239
Other	800	800	14,656	13,856
<b>Total Revenues</b>	<u>\$ 180,800</u>	<u>\$ 180,800</u>	<u>\$ 244,895</u>	<u>\$ 64,095</u>
<b>EXPENDITURES</b>				
Current:				
Street	\$ 75,000	\$ 75,000	\$ 31,058	\$ 43,942
Capital Outlay	1,000,000	155,000	83,855	71,145
<b>Total Expenditures</b>	<u>\$ 1,075,000</u>	<u>\$ 230,000</u>	<u>\$ 114,913</u>	<u>\$ 115,087</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (894,200)	\$ (49,200)	\$ 129,982	\$ 179,182
<b>OTHER FINANCING SOURCES</b>				
Transfers In	\$ 465,000	\$ 465,000	\$ 465,000	\$ _____
<b>Net Change in Fund Balances</b>	\$ (429,200)	\$ 415,800	\$ 594,982	\$ 179,182
<b>Fund Balances - Beginning</b>	<u>274,872</u>	<u>274,872</u>	<u>274,872</u>	<u>_____</u>
<b>Fund Balances - Ending</b>	<u>\$ (154,328)</u>	<u>\$ 690,672</u>	<u>\$ 869,854</u>	<u>\$ 179,182</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL**  
**SANITATION FUND**  
**Year Ended March 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 932,692	\$ 932,692	\$ 925,145	\$ (7,547)
Total Revenues	<u>\$ 932,692</u>	<u>\$ 932,692</u>	<u>\$ 925,145</u>	<u>\$ (7,547)</u>
<b>OPERATING EXPENSES</b>				
Personnel Service and Related Expenses	\$ 463,340	\$ 463,340	\$ 440,643	\$ 22,697
Maintenance and Service Contracts	230,000	240,000	239,730	270
Materials and Supplies	17,500	17,500	16,774	726
Repairs and Maintenance	2,500	2,500	957	1,543
Depreciation	100,000	100,000	105,041	(5,041)
Other Operating Expenses	99,300	109,300	112,764	(3,464)
Total Operating Expenses	<u>\$ 912,640</u>	<u>\$ 932,640</u>	<u>\$ 915,909</u>	<u>\$ 16,731</u>
Operating Income (Loss)	<u>\$ 20,052</u>	<u>\$ 52</u>	<u>\$ 9,236</u>	<u>\$ 9,184</u>
<b>NONOPERATING REVENUES</b>				
Interest Earnings	\$ 900	\$ 900	\$ 2,567	\$ 1,667
Gain on Disposal of Capital Assets			11,820	11,820
Total Nonoperating Revenues	<u>\$ 900</u>	<u>\$ 900</u>	<u>\$ 14,387</u>	<u>\$ 13,487</u>
Income (Loss) Before Transfers and Capital Contributions	\$ 20,952	\$ 952	\$ 23,623	\$ 22,671
Capital Contributions			382	382
Transfers Out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	
<b>Change in Net Assets</b>	\$ 10,952	\$ (9,048)	\$ 14,005	\$ 23,053
<b>Total Net Assets - Beginning</b>	441,008	441,008	441,008	
Adjustment to Beginning Net Assets	<u>(5,640)</u>	<u>(5,640)</u>	<u>(5,640)</u>	
<b>Total Net Assets - Ending</b>	<u>\$ 446,320</u>	<u>\$ 426,320</u>	<u>\$ 449,373</u>	<u>\$ 23,053</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES**  
**Year Ended March 31, 2006**

**COURT FINES**

Court Fines Collected	\$ 102,600
Court Fines Retained by Town	(102,600)
Court Fines Remitted to the State Treasurer	<u>\$</u>

**COURT ASSESSMENTS**

Court Assessments Collected	\$ 112,720
Court Assessments Retained by Town	(13,175)
Court Assessments Remitted to the State Treasurer	<u>\$ 99,545</u>

**COURT SURCHARGES**

Court Surcharges Collected	\$ 53,019
Court Surcharges Retained by Town	(8,837)
Court Surcharges Remitted to the State Treasurer	<u>\$ 44,182</u>

**COURT DPS PULLOUTS**

Court DPS Pullouts Collected	\$ 4,462
Court DPS Pullouts Retained by Town	
Court DPS Pullouts Remitted to the State Treasurer	<u>\$ 4,462</u>

**VICTIMS SERVICES**

Court Assessments Allocated to Victim Services	\$ 13,175
Court Surcharges Allocated to Victim Services	8,837
Total Funds Allocated to Victim Services	<u>\$ 22,012</u>
Victim Services Expenditures	(22,012)
Funds Available for Carryforward	<u>\$</u>

## **STATISTICAL SECTION**



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Street</u>	<u>Sanitation</u>	<u>Intra-Governmental Maintenance</u>	<u>Culture and Recreation</u>	<u>Non-Departmental</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
3/31/97	\$ 363,009	\$ 893,093	\$ 357,689	\$ 487,417	\$ 104,553	\$ 229,884	\$ 237,525	\$ 454,933	\$ 432,941	\$ 3,561,044
3/31/98	371,635	1,033,277	351,733		114,701	256,774	455,061	757,295	433,211	3,773,687
3/31/99	458,466	1,114,792	339,025		108,519	273,637	936,829	705,562	432,954	4,369,784
3/31/00	481,625	1,208,816	374,407		116,241	288,352	370,096	1,326,691	429,958	4,596,186
3/31/01	494,309	1,306,964	409,695		133,997	316,652	385,053	569,147	431,742	4,047,559
3/31/02	520,647	1,346,274	448,451		120,176	333,865	402,180	288,444	431,180	3,891,217
3/31/03	536,936	1,371,654	543,656		70,630	369,884	448,982	304,923	430,206	4,076,871
3/31/04	604,629	1,574,263	451,789		83,011	409,503	359,923	1,196,761	497,355	5,177,234
3/31/05	665,268	1,714,933	464,442		78,784	387,278	313,716	1,719,032	388,909	5,732,362
3/31/06	698,260	1,916,226	582,603		106,545	362,944	331,733	281,261	386,130	4,665,702

(1) Includes General, Special Revenue and Capital Projects Funds.

UNAUDITED

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**  
**Last Ten Fiscal Years**

<u>Fiscal Year Ended</u>	<u>Property Taxes</u>	<u>Franchise Taxes</u>	<u>Hospitality Fees</u>	<u>Local Accommodations Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Total</u>
3/31/97	\$ 1,414,415	\$ 358,021	\$ 133,506	\$	\$ 652,444	\$ 64,071	\$ 545,936	\$ 594,411	\$ 190,156	\$ 3,952,960
3/31/98	1,524,824	354,371	389,945		697,613	99,658	650,508		263,887	3,980,806
3/31/99	1,554,845	367,534	428,461		881,536	123,275	659,222		253,317	4,268,190
3/31/00	1,498,268	361,779	450,204		853,703	140,597	804,289		273,380	4,382,220
3/31/01	1,494,180	389,423	475,182		891,821	173,044	645,570		291,125	4,360,345
3/31/02	1,503,677	404,842	498,807		1,046,050	211,580	655,736		272,864	4,593,556
3/31/03	1,549,091	411,069	523,223	70,790	1,078,292	157,129	661,115		242,637	4,693,346
3/31/04	1,904,727	463,956	560,257	97,211	1,152,481	120,975	902,418		238,482	5,440,507
3/31/05	1,977,665	446,194	588,603	106,475	1,308,524	112,289	1,061,879		248,914	5,850,543
3/31/06	2,089,430	469,622	615,341	116,393	1,538,253	143,450	733,381		406,158	6,112,028

(1) Includes General, Special Revenue and Capital Projects Funds.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years**

<u>Fiscal Year Ended</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
3/31/97	\$ 1,657,426	\$ 1,358,313	81.95%	\$ 42,781	\$ 1,401,094	84.53%	\$ 256,332	15.47%
3/31/98	1,758,056	1,462,910	83.21%	46,842	1,509,752	85.88%	248,304	14.12%
3/31/99	1,778,460	1,503,252	84.53%	40,281	1,543,533	86.79%	234,927	13.21%
3/31/00	1,728,457	1,452,299	84.02%	32,588	1,484,887	85.91%	243,570	14.09%
3/31/01	1,728,979	1,413,811	81.77%	71,850	1,485,661	85.93%	243,318	14.07%
3/31/02	1,711,710	1,407,132	82.21%	77,575	1,484,707	86.74%	227,003	13.26%
3/31/03	1,696,417	1,446,681	85.28%	95,194	1,541,875	90.89%	154,542	9.11%
3/31/04	2,067,642	1,806,967	87.39%	70,073	1,877,040	90.78%	190,602	9.22%
3/31/05	2,135,702	1,885,402	88.28%	86,853	1,972,255	92.35%	163,447	7.65%
3/31/06	2,230,238	1,985,077	89.01%	81,264	2,066,341	92.65%	163,897	7.35%

(1) Total tax levy includes the original tax levy adjusted by all additional tax levies and abatements, as well as outstanding delinquent taxes from previous years.

(2) Delinquent tax collections include nonvehicle tax collections received after their execution date and all vehicle tax collections.

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

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)  
Last Ten Fiscal Years**

Fiscal Year Ended	Real Property			Personal Property			Total		Ratio of Assessed Value to Total Estimated Actual Value
	Tax Year	Assessed Value	Estimated Actual Value	Tax Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
3/31/97	1996	\$ 19,136,262	\$ 341,718,964	1996	\$ 4,245,962	\$ 40,437,733	\$ 23,382,224	\$ 382,156,697	6.1%
3/31/98	1997	19,663,411	351,132,339	1997	4,220,605	40,196,238	23,884,016	391,328,577	6.1%
3/31/99	1998	20,000,851	357,158,054	1998	4,629,405	44,089,571	24,630,256	401,247,625	6.1%
3/31/00	1999	27,807,713	496,566,304	1999	4,336,059	41,295,800	32,143,772	537,862,104	6.0%
3/31/01	2000	28,662,084	511,822,929	2000	5,106,974	48,637,848	33,769,058	560,460,777	6.0%
3/31/02	2001	29,160,622	520,725,393	2001	5,011,066	47,724,438	34,171,688	568,449,831	6.0%
3/31/03	2002	29,610,593	528,760,589	2002	4,357,129	47,104,097	33,967,722	575,864,686	5.9%
3/31/04	2003	30,165,291	538,665,910	2003	4,649,722	51,663,578	34,815,013	590,329,488	5.9%
3/31/05	2004	31,552,909	563,444,804	2004	4,850,437	53,893,744	36,403,346	617,338,548	5.9%
3/31/06	2005	41,717,915	744,962,768	2005	4,783,074	59,788,425	46,500,989	804,751,193	5.8%

(1) Assessed values for real property reflect an average of 5.6% of estimated actual values and assessed values for personal property reflect an average of 8% of estimated actual values. All amounts have been adjusted by additions and abatements subsequent to the original assessment.

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

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**PROPERTY TAX MILLAGE RATES OF DIRECT AND**  
**OVERLAPPING GOVERNMENTAL JURISDICTIONS**  
**Last Ten Fiscal Years**

<u>Fiscal Year Ended</u>	<u>Town of Surfside Beach</u>	<u>Horry County</u>	<u>Horry County School District</u>	<u>Maximum Combined Rate</u>
3/31/97	63.0	46.1	130.3	239.4
3/31/98	63.0	46.6	128.3	237.9
3/31/99	63.0	46.6	128.3	237.9
3/31/00	44.0	40.9	113.0	197.9
3/31/01	44.0	44.5	116.4	204.9
3/31/02	44.0	50.9	124.9	219.8
3/31/03	44.0	50.9	124.9	219.8
3/31/04	55.0	50.9	130.4	236.3
3/31/05	55.0	50.9	130.4	236.3
3/31/06	44.0	46.3	129.7	220.0

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

Tax Data:	Tax Rate Limits:	None
	Taxes Due:	Vehicles - Before the end of the month of tag renewal by the S.C. State Highway Department Personal Other Than Vehicles and Real - January 15

Data for overlapping jurisdictions was provided by the Horry County Treasurer.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE  
AND GENERAL BONDED DEBT PER CAPITA  
Last Ten Fiscal Years**

<u>Fiscal Year Ended</u>	<u>Population (Estimated)</u>	<u>Assessed Value of Taxable Property</u>	<u>General Bonded Debt</u>	<u>General Bonded Debt Per Capita</u>	<u>General Bonded Debt - % of Valuation</u>
3/31/97	4,584	\$ 23,382,224	\$ 4,700,000	\$ 1,025	20.10%
3/31/98	4,750	23,884,016	4,495,000	946	18.82%
3/31/99	4,916	24,630,256	4,280,000	871	17.38%
3/31/00	5,081	32,143,772	4,060,000	799	12.63%
3/31/01	4,425	33,769,058	3,825,000	864	11.33%
3/31/02	4,451	34,171,688	3,580,000	804	10.48%
3/31/03	4,496	33,967,722	3,325,000	740	9.79%
3/31/04	4,630	34,815,013	3,165,000	684	9.09%
3/31/05	4,795	36,403,346	2,865,000	597	7.87%
3/31/06	4,986	46,500,989	2,555,000	512	5.49%

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**COMPUTATION OF LEGAL DEBT MARGIN**

**March 31, 2006**

Assessed Value:		
Taxable Property as of March 31, 2006	\$	46,500,989
Exempt Merchants Inventory (1987 Valuation)		<u>226,850</u>
	\$	<u>46,727,839</u>
Debt Limit Eight Percent (8%) of Assessed Value Without Voters Approval	\$	3,738,227
Amount of Debt Applicable to Debt Limit:		
Total General Obligation Bonds Payable		(2,555,000)
Bonds Issued Under Referendum		<u>1,933,370</u>
Legal Debt Margin	\$	<u>3,116,597</u>

Note: Article Ten (X), Section Fourteen (14) of the South Carolina Constitution of 1895 as amended provides that a City of Twon shall incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote of the qualified electors of the political subdivision voting in a referendum authorized by law. There shall be no conditions or restrictions limiting the incurring of such indebtedness except:

- a. Those restrictions and limitations imposed in the authorization to incur such indebtedness,
- b. The provisions of Article Ten (X), Section 14, and
- c. Such general obligation debt shall be issued within five years of the date of such referendum and shall mature within forty (40) years from the time such indebtedness shall be incurred.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**March 31, 2006**

<u>Jurisdiction</u>	<u>Principal Outstanding</u>	<u>Percentage Applicable to the Town of Surfside Beach (1)</u>	<u>Amount Applicable to the Town of Surfside Beach</u>
Town of Surfside Beach General Obligation Bonds	\$ <u>2,555,000</u>	100.0%	\$ <u>2,555,000</u>
Horry County	\$ 76,435,000	3.8%	\$ 2,904,530
Horry County School District	<u>289,995,000</u>	3.8%	<u>11,019,810</u>
	\$ <u>366,430,000</u>		\$ <u>13,924,340</u>
	<u>\$ 368,985,000</u>		<u>\$ 16,479,340</u>

(1) The percentage of debt applicable to the Town of Surfside Beach is based on the percentage of assessed valuation of property located in the Town.

Data for overlapping jurisdictions was provided by the Horry County Finance Director and reports amounts outstanding at June 30, 2005.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL  
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
Last Ten Fiscal Years**

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
3/31/97	\$ 195,000	\$ 235,944	\$ 430,944	\$ 3,561,044	12.10%
3/31/98	205,000	224,559	429,559	3,773,687	11.38%
3/31/99	215,000	215,344	430,344	4,369,784	9.85%
3/31/00	220,000	205,669	425,669	4,596,186	9.26%
3/31/01	235,000	195,769	430,769	4,047,559	10.64%
3/31/02	245,000	185,204	430,204	3,891,217	11.06%
3/31/03	255,000	174,179	429,179	4,076,871	10.53%
3/31/04	265,000	157,045	422,045	5,177,234	8.15%
3/31/05	300,000	88,129	388,129	5,732,362	6.77%
3/31/06	310,000	75,350	385,350	4,665,702	8.26%

(1) Includes General, Special Revenue and Capital Projects Funds.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**DEPOSITS AT LOCAL BANKS AND SAVINGS AND LOAN INSTITUTIONS  
Last Ten Fiscal Years  
(Amounts stated in thousands)**

Fiscal Year Ended	Surfside Beach			Horry County		
	Bank Deposits	S&L Deposits	Total Deposits	Bank Deposits	S&L Deposits	Total Deposits
3/31/97	\$ 162,600	\$ 79,773	\$ 242,373	\$ 1,555,836	\$ 444,346	\$ 2,000,182
3/31/98	168,407	86,445	254,852	1,726,533	473,764	2,200,297
3/31/99	168,809	93,771	262,580	1,915,474	518,376	2,433,850
3/31/00	192,655	97,887	290,542	2,118,138	564,513	2,682,651
3/31/01	199,868	101,684	301,552	2,202,910	613,586	2,816,496
3/31/02	214,802	127,865	342,667	2,251,731	715,279	2,967,010
3/31/03	204,065	140,421	344,486	2,451,236	788,620	3,239,856
3/31/04	216,142	143,988	360,130	2,652,858	843,922	3,496,780
3/31/05	240,196	159,741	399,937	2,865,276	941,217	3,806,493
3/31/06	249,888	126,305	376,193	3,533,539	1,218,248	4,751,787

Source: Data was obtained from the Federal Deposit Insurance Corporation (FDIC) and the Federal Home Loan Board and reflects amounts on deposit at June 30 of each preceding calendar year.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**CONSTRUCTION ACTIVITY  
Last Ten Fiscal Years**

Fiscal Year Ended	Single Family		Multi-Family		Commercial		Total Value
	Number of Units	Value	Number of Units	Value	Number of Units	Value	
3/31/97	60	\$ 6,949,366	21	\$ 2,578,124	6	\$ 199,900	\$ 9,727,390
3/31/98	51	6,629,329	14	2,089,516	13	2,885,588	11,604,433
3/31/99	68	7,826,181	22	3,304,854	31	8,022,890	19,153,925
3/31/00	52	6,444,299	12	2,354,060	15	2,121,763	10,920,122
3/31/01	72	10,514,721	1	186,355			10,701,076
3/31/02	50	7,202,140	3	602,975	6	2,354,710	10,159,825
3/31/03	62	9,944,163	7	1,226,328	2	1,095,000	12,265,491
3/31/04	117	17,008,441	9	1,279,686	4	864,430	19,152,557
3/31/05	83	14,578,915	3	324,167	1	470,000	15,373,082
3/31/06	98	16,853,585	14	2,702,170	3	1,522,245	21,078,000

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Construction valuation and number of units data is based on permit records of the Town of Surfside Beach, Building and Zoning Department.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**POPULATION ESTIMATES  
Last Ten Fiscal Years**

<u>Fiscal Year Ended</u>	<u>Town of Surfside Beach Population (Estimated)</u>	<u>Horry County Population (Estimated)</u>
3/31/97	4,584	188,740
3/31/98	4,750	195,560
3/31/99	4,916	202,380
3/31/00	5,081	209,200
3/31/01	4,425	196,629
3/31/02	4,451	199,550
3/31/03	4,496	201,545
3/31/04	4,630	207,590
3/31/05	4,795	214,860
3/31/06	4,986	225,603

The figures for fiscal years 1996 to 2000 and 2002 to 2006 are calculated using the growth rate of the previous years. Figures for fiscal year 2001 are based on data collected by the U.S. Department of Commerce, Bureau of Census.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

**PRINCIPAL TAXPAYERS**

**March 31, 2006**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Tax Levy</u>
Surfside Pier Hotel, Ltd.	Hotel/Motel	\$ 433,042	1.04%	\$ 19,054
Jefferson-Pilot Life Insurance	Retail	357,636	0.86%	15,736
Scalise Development, Inc.	Development	297,552	0.71%	13,092
Lodgian Hotels Fixed, LLC	Hotel/Motel	232,200	0.56%	10,217
Scalise Properties	Commercial Rentals	197,718	0.47%	8,700
Bonnie Jean Hammond-Robinson	Amusement	175,788	0.42%	7,735
RMP, LLC	Hotel/Motel	146,640	0.35%	6,452
Hospital Corporation of America	Medical	135,900	0.33%	5,980
Surfside Shopping Center	Retail	134,874	0.32%	5,934
Tebele Investment Group	Retail	125,922	0.30%	5,541
		<u>\$ 2,237,272</u>	<u>5.36%</u>	<u>\$ 98,440</u>

This table lists the ten largest taxpayers, type of business, assessed valuation and tax levy for the fiscal year 2006, as indicated by the Horry County Treasurer's tax duplicate.

**UNAUDITED**

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA**

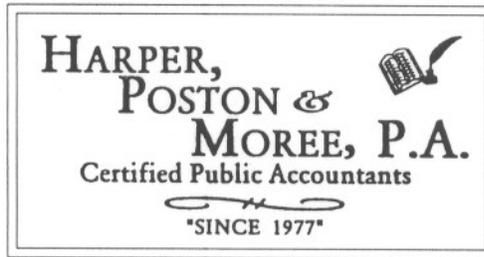
**MISCELLANEOUS STATISTICS**

**March 31, 2006**

Date of Incorporation	March 14, 1964
Form of Government	Council - Administrator
Area	2.23 Square Miles
Miles of Streets	42
Number of Street Lights	518
Number of Traffic Lights	3
Public Safety	
Number of Stations	2 (1 Fire & 1 Police)
Number of Public Safety Officers (Paid Firemen, Policemen and Dispatchers)	5 Firemen, 19 Policemen & 5 Dispatchers
Number of Volunteer Firemen	22
Insurance Rating	ISO - Class 4
Permits Issued	1,944
Recreation and Culture	
Number of Parks	5
Number of Libraries	1 (Horry County Branch Library)
Number of Community Centers	2 (1 Horry County Senior Citizens Center)
Town Employees	
Full Time	78 (Including Council)
Part Time	5

**UNAUDITED**

**INDEPENDENT AUDITORS' OTHER REPORT SECTION**



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

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

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina as of and for the year ended March 31, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination

of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Surfside Beach, South Carolina in a separate letter dated July 19, 2006.

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

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

Pawleys Island, South Carolina  
July 19, 2006

