



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

Prepared By:

Finance Department

Kimberly Hursey, Finance Officer



INTRODUCTORY SECTION



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended March 31, 2007**

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

PRINCIPAL OFFICIALS

March 31, 2007

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

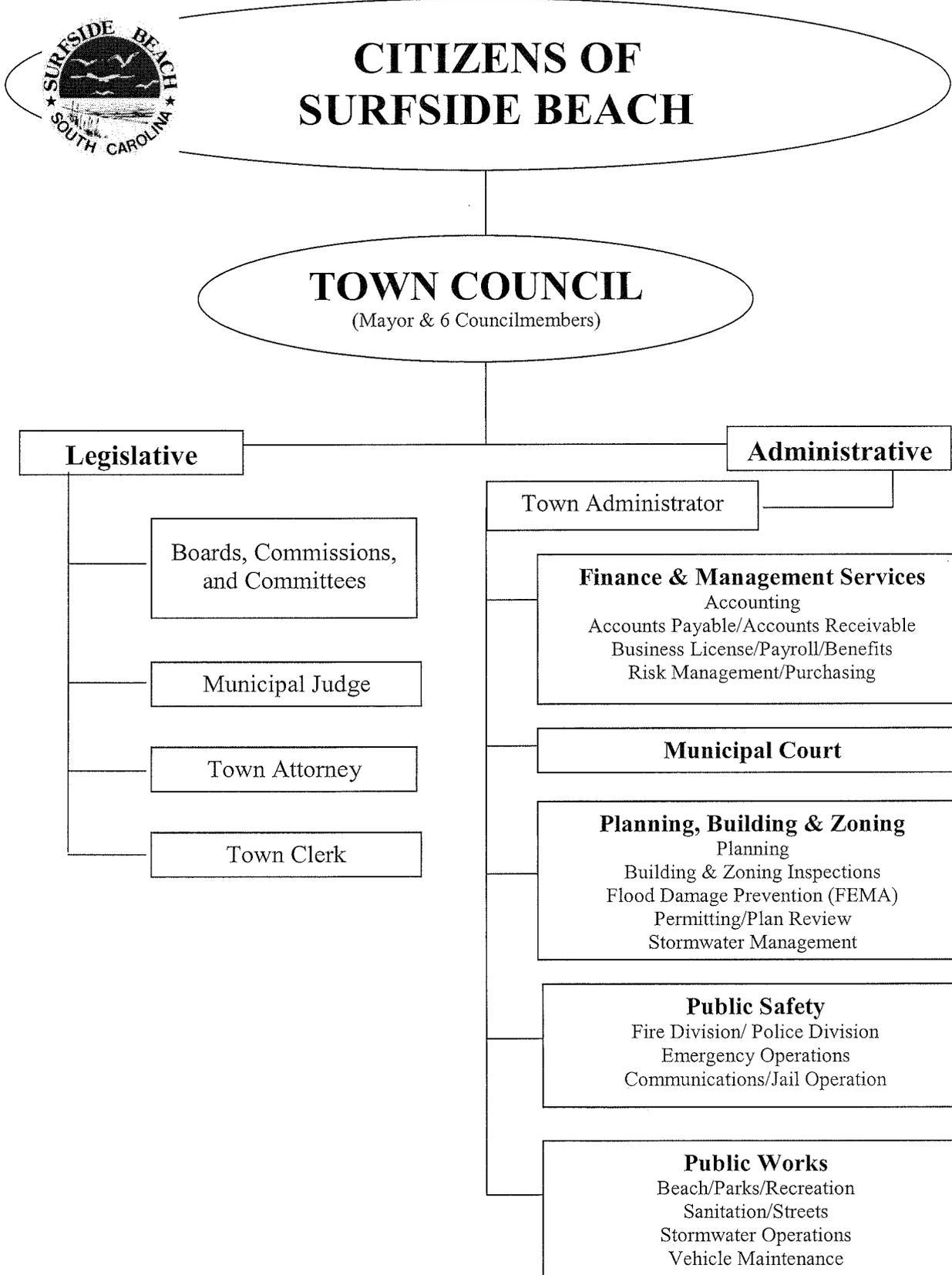
APPOINTED

Town Administrator Ed Booth
Finance Officer Kimberly Hursey
Town Clerk Sharon Pinnell
Public Safety Director Andy Christenson
Planning, Building and Zoning Director Jackie Donevant
Public Works Director Brian Kirk

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

ORGANIZATIONAL CHART

March 31, 2007



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

September 26, 2007

www.surfsidebeach.org

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

The Comprehensive Annual Financial Report of the Town of Surfside Beach for the fiscal year ended March 31, 2007, is hereby submitted for your review and information and to meet the requirements of South Carolina Law.

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

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

Harper, Poston, & Moree, P.A., Certified Public Accountants, have issued an unqualified opinion on the Town of Surfside Beach's financial statements for the year ended March 31, 2007. 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 to the east, and the Intracoastal Waterway, six miles to the west. The northern municipal limits of the Town are four miles south of Myrtle Beach, South Carolina, and approximately 20 miles from Conway, South Carolina, the county seat. The town is two miles long and one mile wide and approximately 90 percent developed.

The Town of Surfside Beach was incorporated in 1964 and operates under the Council form of government as authorized under State law. Legislative authority is vested in the Mayor and six council

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Dedicated people providing quality and responsive service to our community.



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members who are elected at large to serve four year overlapping terms of office. The Mayor is the presiding officer of Town Council.

The Council appoints an Administrator to serve as the chief executive and administrative officer to oversee the day-to-day operations of the Town. The Administrator is responsible for implementing the policies of Town Council. Four staff departments assist the Administrator: Planning, Building and Zoning, Finance, Public Safety and Public Works.

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

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, the level at which expenditures cannot legally exceed the appropriated amount, is at the fund level. All appropriations lapse at the end of each year.

Local Economy

The Town of Surfside Beach has grown dramatically since incorporation. The 2000 Census reported that 4,425 permanent residents lived in the Town, compared to just 880 when the Town was incorporated. Significant growth and development has taken place along the Town's oceanfront in the last decade. In addition, commercial development continues to rise along the Town's business district along US Highway 17 Business. The Town of Surfside Beach is heavily dependent on the tourism industry as related businesses pay a vast majority of the taxes and fees used to provide services to the residents. The Town's beach location continues to promote tourism related business and redevelopment.

Tourism, South Carolina's largest industry is the element that keeps the northern coastal area of the State 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 and classified transient rentals, i.e., short-term rentals to visitors.

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

The tourism industry has contributed revenue to the Town of Surfside Beach through the collection of Hospitality fees and Accommodations taxes. In the past ten years these special revenues have increased 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 ten years, the government's expenses relating to public safety have increased from 25% to 41% of total expenditures as the demand for service increases.

Business license and permit revenue have been a significant revenue source over the past ten years due to a growing population and the development of the beach area. Currently, business licensing and permitting have contributed 22% to general fund revenue. We are hopeful that property development and new rental properties will continue in the next years keeping our revenues consistent.

Long-Term Financial Planning

Unreserved, undesignated fund balance in the general fund stands at 49% of total general fund revenues. Town Council has not set a policy guideline for budgetary and planning purposes. The Town Council has decided to construct the stormwater improvements projects without incurring additional debt. A 5 mill tax levy for stormwater improvements and undesignated fund balance transfers have been used to fund the project. 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 and 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 a higher yield.

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

The Town of Surfside Beach is experiencing the results of several years of planning as it enters into an aggressive construction period. The stormwater project that was initiated in 2001 included three Stormwater Basins. Melody and Floral Basins have been completed, and the first five phases of the Myrtle Basin are scheduled for completion in September of 2007. \$1,600,000 was identified in the budget for stormwater with \$700,000 allocated for the Myrtle Basin with Town Council recently approving an additional \$300,000 to continue the basin. The remaining \$600,000 will be used to begin dredging six of the nine lakes in town. These efforts will enhance the quality of life for the citizens and those who visit the Town of Surfside Beach.

The sidewalk along Hollywood Drive South has been completed and the conveyance is continuing along Hollywood Drive North from Surfside Drive to 10th Avenue North. The additional sidewalk

will enable tourists and residents to continue from South Hollywood Drive to North Hollywood Drive and access Fuller Park and the Horry County Public Library on Surfside Drive.

Major Initiatives for the Future

Town Council has approved staff to solicit Requests for Qualifications in order to hire an architect to design the new fire station in Town. Currently, the existing structure is inadequate and below standard. During a recent mitigation project, the engineer documented the station would not withstand winds in excess of 70 mph making the replacement of the facility a priority. The Fire Station Project is estimated to cost approximately \$1.5M to \$2M.

For the past six months town staff has been in transition. A small reduction in staff and an established personnel evaluation system is anticipated to reinforce the efficiency of town government.

As the new Town Administrator, my review indicates the Town to be in solid financial condition supported by an efficient staff.

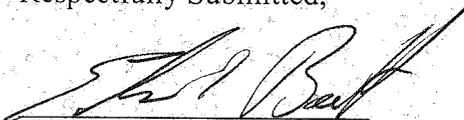
Awards and Acknowledgments

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.

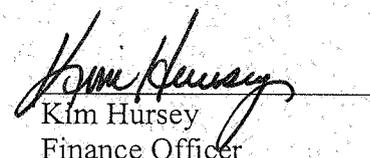
The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Surfside Beach for its comprehensive annual financial report for the fiscal year ended March 31, 2006, which was the eighteenth consecutive year the Town received the award. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the Town's auditing firm, Harper, Poston, & Moree, P.A., as well as the finance 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,



Ed Booth
Town Administrator



Kim Hursey
Finance Officer

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, 2006

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.



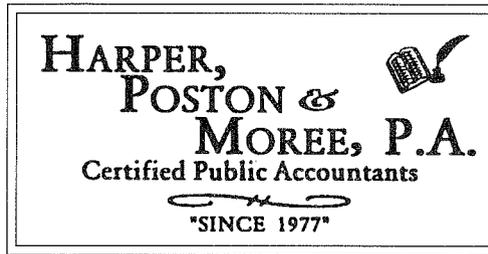
President

Executive Director



FINANCIAL SECTION





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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2007, 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, 2007, 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 September 26, 2007, 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 44-48 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
September 26, 2007

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2007**

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, 2007. 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 \$13,227,051 (net assets). Of this amount, \$5,886,163 (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 \$2,033,694. This is a result of an increase in net assets of our business-type activity of \$278,600, and an increase in net assets of our governmental activities of \$1,755,094.
- The Town's total revenues amounted to \$7,992,976 during the year ended March 31, 2007. Revenues and transfers of governmental activities totaled \$6,784,739, and revenues and transfers of our business-type activity were \$1,208,237.
- During the year ended March 31, 2007, the Town's total expenses amounted to \$5,999,282. Expenses of governmental activities totaled \$5,069,645, and expenses of our business-type activity were \$929,637.
- At March 31, 2007, the Town's governmental funds reported combined fund balances of \$7,365,182, an increase of \$685,919 in comparison to the prior year.
- The increase in the Town's investment in capital assets for the current fiscal year was \$1,290,186 for governmental activities and \$57,907 for our business-type activity.
- At year-end, the Town had \$2,235,000 in outstanding general obligation bonds compared to \$2,555,000 last year, a decrease of 12.5%.

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 44. An individual fund statement and other supplementary information can be found on pages 49 - 52.

The Town as a Whole

Condensed statements of net assets at March 31, 2007 and 2006 are shown below.

THE TOWN'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 8,029,561	\$ 7,059,488	\$ 366,661	\$ 148,687	\$ 8,396,222	\$ 7,208,175
Capital Assets (Net)	<u>7,559,803</u>	<u>6,577,976</u>	<u>410,834</u>	<u>352,927</u>	<u>7,970,637</u>	<u>6,930,903</u>
Total Assets	<u>\$15,589,364</u>	<u>\$13,637,464</u>	<u>\$ 777,495</u>	<u>\$ 501,614</u>	<u>\$16,366,859</u>	<u>\$14,139,078</u>
Long-Term Liabilities	\$ 2,079,921	\$ 2,289,962	\$ 17,885	\$ 12,779	\$ 2,097,806	\$ 2,302,741
Other Liabilities	<u>1,010,365</u>	<u>603,518</u>	<u>31,637</u>	<u>39,462</u>	<u>1,042,002</u>	<u>642,980</u>
Total Liabilities	<u>\$ 3,090,286</u>	<u>\$ 2,893,480</u>	<u>\$ 49,522</u>	<u>\$ 52,241</u>	<u>\$ 3,139,808</u>	<u>\$ 2,945,721</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	\$ 5,393,676	\$ 4,103,490	\$ 410,834	\$ 352,927	\$ 5,804,510	\$ 4,456,417
Restricted	1,536,378	1,558,229			1,536,378	1,558,229
Unrestricted	<u>5,569,024</u>	<u>5,082,265</u>	<u>317,139</u>	<u>96,446</u>	<u>5,886,163</u>	<u>5,178,711</u>
Total Net Assets	<u>\$12,499,078</u>	<u>\$10,743,984</u>	<u>\$ 727,973</u>	<u>\$ 449,373</u>	<u>\$13,227,051</u>	<u>\$11,193,357</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, 2007 were \$13,227,051, an increase of \$2,033,694, or 18.1%, from a year ago.

A portion of the Town's net assets, 43.9%, 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, 11.6%, 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 \$5,886,163 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 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, 2007 and 2006 follows. The Town's 2006 Changes in Net Assets have been restated from the prior year's presentation. A comparative analysis will be provided in future years for Building and Zoning expenses when prior year information is available.

THE TOWN'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 650,123	\$ 670,520	\$ 1,141,924	\$ 925,145	\$ 1,792,047	\$ 1,595,665
Operating Grants and Contributions	83,425	52,633			83,425	52,633
Capital Grants and Contributions	94,350	75,959			94,350	75,959
General Revenues:						
Property Taxes	2,146,666	2,088,116			2,146,666	2,088,116
Local Accommodations Taxes	136,914	116,393			136,914	116,393
Business License Taxes	1,331,700	1,192,406			1,331,700	1,192,406
Franchise Taxes	496,568	469,622			496,568	469,622
Hospitality Fees	674,718	615,341			674,718	615,341
Grants and Contributions not Restricted to Specific Programs	686,736	617,989			686,736	617,989
Investment Earnings	373,855	209,305	7,286	2,567	381,141	211,872
Gain on Disposal of Capital Assets	29,494	7,551	75,675	11,820	105,169	19,371
Other General Revenues	<u>63,542</u>				<u>63,542</u>	
Total Revenues	<u>\$ 6,768,091</u>	<u>\$ 6,115,835</u>	<u>\$ 1,224,885</u>	<u>\$ 939,532</u>	<u>\$ 7,992,976</u>	<u>\$ 7,055,367</u>
Expenses:						
General Government	\$ 1,518,483	\$ 1,095,556	\$	\$	\$ 1,518,483	\$ 1,095,556
Public Safety	2,015,991	2,072,616			2,015,991	2,072,616
Building and Zoning	238,278				238,278	
Street	732,622	711,466			732,622	711,466
Culture and Recreation	479,222	398,886			479,222	398,886
Interest and Fiscal Charges	85,049	87,255			85,049	87,255
Sanitation			<u>929,637</u>	<u>915,909</u>	<u>929,637</u>	<u>915,909</u>
Total Expenses	<u>\$ 5,069,645</u>	<u>\$ 4,365,779</u>	<u>\$ 929,637</u>	<u>\$ 915,909</u>	<u>\$ 5,999,282</u>	<u>\$ 5,281,688</u>

THE TOWN'S CHANGES IN NET ASSETS (continued)

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Increase in Net Assets Before Transfers	\$ 1,698,446	\$ 1,750,056	\$ 295,248	\$ 23,623	\$ 1,993,694	\$ 1,773,679
Transfers	<u>16,648</u>	<u>9,618</u>	<u>(16,648)</u>	<u>(9,618)</u>		
Increase in Net Assets	<u>1,715,094</u>	<u>1,759,674</u>	<u>278,600</u>	<u>14,005</u>	<u>1,993,694</u>	<u>1,773,679</u>
Net Assets - Beginning	\$ 10,743,984	\$ 9,040,523	\$ 449,373	\$ 441,008	\$11,193,357	\$ 9,481,531
Adjustment to Beginning Net Assets – (Note 14)	<u>40,000</u>	<u>(56,213)</u>		<u>(5,640)</u>	<u>40,000</u>	<u>(61,853)</u>
Net Assets – Beginning, as Restated	<u>\$10,783,984</u>	<u>\$ 8,984,310</u>	<u>\$ 449,373</u>	<u>\$ 435,368</u>	<u>\$11,233,357</u>	<u>\$ 9,419,678</u>
Net Assets - Ending	<u>\$12,499,078</u>	<u>\$10,743,984</u>	<u>\$ 727,973</u>	<u>\$ 449,373</u>	<u>\$13,227,051</u>	<u>\$11,193,357</u>

The Town's total revenues amounted to \$7,992,976 for the year ended March 31, 2007. This is an increase of \$937,609. The total cost of all programs and services was \$5,999,282 (increasing by \$717,594).

Governmental Activities

The Town's net assets from governmental activities increased \$1,715,094, accounting for 86.3% 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 \$5,082,265 at March 31, 2006 to \$5,569,024 at the end of this year.

The Town's programs for governmental activities include general government, public safety, building and zoning, street, culture and recreation, and interest and fiscal charges. Total revenues from the Town's governmental activities increased by 10.6% or \$652,256, while total expenses increased 16.1% or \$703,866. The revenue improvements were mainly attributable to business license taxes of \$139,294 and investment earnings of \$164,550. General government expenses increased \$422,927. This increase is attributable to salaries and benefits and unanticipated professional services of \$96,000.

The cost of all governmental activities this year was \$5,069,645. However, as shown in the statement of activities beginning on page 12, the amount that our taxpayers ultimately financed for these activities was only \$4,241,747 because some of the cost was paid by those who directly benefited from the programs (\$650,123) or by other governments and organizations that subsidized certain programs with grants and contributions (\$177,775). Overall, the Town's governmental program revenues were \$827,898. The Town paid for the remaining "public benefit" portion of governmental activities with general revenues and transfers from the business-type activity, some of which could only be used for certain programs, totaling \$5,956,841.

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 \$278,600, which accounts for 13.7% of the total increase in the Town's net assets. The positive change in net assets is due to the increase in charges from services, a larger customer base, an increase in fees for residential and summer service, and the introduction of winter service. Also contributing is the gain on disposal of capital assets. Total revenues

from the Town's business-type activity increased by \$285,353 while expenses remained relatively unchanged, increasing by \$13,728.

The cost of our business-type activity this year was \$929,637. As shown in the statement of activities which starts on page 12, the amounts paid by users was \$1,141,924, a gain on the sale of capital assets totaled \$75,675, investment earnings were \$7,286 and transfers out totaled \$16,648.

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 \$7,365,182, an increase of \$685,919 in comparison with the prior year. Approximately 98.8% of this total (\$7,272,110) 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 \$4,317,093, while total fund balance amounted to \$4,410,165. General Fund's total fund balance increased by \$154,023 during the current fiscal year. The increase is directly attributable to increased business license revenue, favorable interest rates, and the sale of capital assets.

In the Accommodations Tax Fund, fund balance decreased by \$122,477 to \$799,171 at year-end. The fund balance decreased due to funds payable to the Horry County Treasurer for beach renourishment of \$194,040. Town Council has designated fund balance in the amount of \$799,171 for beach renourishment.

Total fund balance of the Hospitality Fund was \$669,089 at March 31, 2007, an increase of \$73,259 from the prior year. Of this total, Town Council has designated \$7,217 for the veteran's memorial.

In the Local Accommodations Tax Fund, fund balance increased by \$22,980 to \$28,769 at March 31, 2007.

The Capital Projects Fund has a fund balance of \$1,427,988 at year-end, an increase of \$558,134 from the prior year as a result of unexpended budgeted projects. 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 year end amounted to \$317,139. The increase in net assets of the Sanitation Fund was \$278,600 due to an increase in customers and rates.

General Fund Budgetary Highlights

The original budget was amended during the year. Revenues available for appropriation were \$616,701 above the budgeted amounts. The most significant positive variances are attributable to property taxes (\$110,606), licenses and permits (\$104,905), and other revenue (\$237,306) of which 59% is attributable to interest earnings.

The actual charges to appropriations (expenditures) were \$354,802 below the budgeted amounts. The most significant positive variances occurred in public safety (\$108,674), and general government (\$93,476) functions. In both cases the variance is due to unfilled budgeted staff positions.

During the year, there was a \$508,500 increase in appropriations between the original and final budget. The main component of this increase (\$374,000) was supplemental appropriations for capital outlay, primarily for the purchase of land.

Budget to actual comparisons for the General Fund can be found on page 44.

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, 2007 amounted to \$7,970,637, net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, machinery, equipment, vehicles and infrastructure. The total increase in the Town's investment in capital assets for the current fiscal year was \$981,827, or 14.9%, for governmental activities and \$57,907, or 16.4%, for our business-type activity.

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

	Governmental Activities		Business-Type Activity		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,281,527	\$ 1,694,393	\$	\$	\$ 2,281,527	\$ 1,694,393
Land Improvements	436,354	367,710			436,354	367,710
Buildings and Improvements	988,712	998,128	6,398	8,418	995,110	1,006,546
Machinery, Equipment and Vehicles	1,229,852	1,159,897	404,436	344,509	1,634,288	1,504,406
Infrastructure	2,426,545	2,251,887			2,426,545	2,251,887
Construction-in-Progress	<u>196,813</u>	<u>105,961</u>			<u>196,813</u>	<u>105,961</u>
	<u>\$ 7,559,803</u>	<u>\$ 6,577,976</u>	<u>\$ 410,834</u>	<u>\$ 352,927</u>	<u>\$ 7,970,637</u>	<u>\$ 6,930,903</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:

John Deer BackHoe	\$ 64,923
Public Works Department Shed	31,391
Land Purchase, Poplar and 1 st , and Poplar and Surfside Drive	587,134
Sidewalk Project, Hollywood S. to Melody	93,435
Infrastructure, paving of eight (8) streets	254,176
2007 Sterling Rear Loader – Sanitation	117,159

Debt

At year-end, the Town had \$2,235,000 in outstanding general obligation bonds compared to \$2,555,000 last year, a decrease of 12.5%. The town has entered into an agreement to purchase land for \$375,000. At year-end, the town had a short-term note payable outstanding, utilizing a 4.89% imputed interest rate, of \$232,789.

THE TOWN'S OUTSTANDING DEBT Bonds and Notes Payable

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Obligation Bonds	\$ 2,235,000	\$ 2,555,000	\$	\$	\$ 2,235,000	\$ 2,555,000
Note Payable	<u>232,789</u>				<u>232,789</u>	
Total Long-Term Debt	<u>\$ 2,467,789</u>	<u>\$ 2,555,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,467,789</u>	<u>\$ 2,555,000</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, 2007, the amount of new debt, which could be issued without referendum, was \$3,258,617.

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 2008 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 2008. Revenues available for appropriation in the General Fund budget are \$4,868,445, an increase of 10.6% over the final fiscal year 2007 budget of \$4,401,785. Property Taxes and favorable interest rates 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 \$5,211,846 from \$4,962,650 in fiscal year 2007. The Town has added no major new programs or initiatives to the fiscal year 2008 budget.

As for the Town's business-type activity, the base rates for sanitation collection service for residential and commercial customers for fiscal year 2008 will remain unchanged. The town began charging for winter service to high-density rental customers in the fall of 2006, winter service rates are \$6.00 per month per cart.

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, 2007

	Governmental Activities	Business-Type Activity	Total
ASSETS			
Cash and Cash Equivalents	\$ 7,470,007	\$ 199,631	\$ 7,669,638
Receivables (Net of Allowance)	367,517	153,050	520,567
Inventories	6,185		6,185
Prepaid Assets	77,538	13,980	91,518
Restricted Cash and Cash Equivalents	59,160		59,160
Land and Construction in Progress	2,478,340		2,478,340
Other Capital Assets (Net)	5,081,463	410,834	5,492,297
Deferred Bond Issuance Costs (Net)	49,154		49,154
	<u>\$ 15,589,364</u>	<u>\$ 777,495</u>	<u>\$ 16,366,859</u>
Total Assets			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 291,975	\$ 21,758	\$ 313,733
Accrued Salaries	62,731		62,731
Accrued Interest Payable	9,023		9,023
Deferred Revenues	108,000		108,000
Liabilities Payable From Restricted Assets	59,160		59,160
Noncurrent Liabilities:			
Due Within One Year	479,476	9,879	489,355
Due in More Than One Year	2,079,921	17,885	2,097,806
	<u>\$ 3,090,286</u>	<u>\$ 49,522</u>	<u>\$ 3,139,808</u>
Total Liabilities			
NET ASSETS			
Invested In Capital Assets, Net of Related Debt	\$ 5,393,676	\$ 410,834	\$ 5,804,510
Restricted For Tourism Promotion and Support	1,527,029		1,527,029
Restricted For Drug Enforcement	6,816		6,816
Restricted For Victim Services	2,533		2,533
Unrestricted	5,569,024	317,139	5,886,163
	<u>\$ 12,499,078</u>	<u>\$ 727,973</u>	<u>\$ 13,227,051</u>
Total Net Assets			

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



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended March 31, 2007

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,518,483	\$ 95,322	\$	\$
Public Safety	2,015,991	223,656	23,791	
Building and Zoning	238,278	271,658		
Street	732,622			94,350
Culture and Recreation	479,222	59,487	59,634	
Interest and Fiscal Charges	85,049			
Total Governmental Activities	\$ 5,069,645	\$ 650,123	\$ 83,425	\$ 94,350
Business-Type Activity:				
Sanitation	\$ 929,637	\$ 1,141,924	\$	\$
Total	\$ 5,999,282	\$ 1,792,047	\$ 83,425	\$ 94,350

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
- Other General Revenues

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
\$ (1,423,161)	\$	\$ (1,423,161)
(1,768,544)		(1,768,544)
33,380		33,380
(638,272)		(638,272)
(360,101)		(360,101)
(85,049)		(85,049)
<u>\$ (4,241,747)</u>	<u>\$</u>	<u>\$ (4,241,747)</u>
\$	\$ 212,287	\$ 212,287
\$ (4,241,747)	\$ 212,287	\$ (4,029,460)
\$ 2,146,666	\$	\$ 2,146,666
136,914		136,914
1,331,700		1,331,700
496,568		496,568
674,718		674,718
686,736		686,736
373,855	7,286	381,141
29,494	75,675	105,169
63,542		63,542
16,648	(16,648)	
<u>\$ 5,956,841</u>	<u>\$ 66,313</u>	<u>\$ 6,023,154</u>
\$ 1,715,094	\$ 278,600	\$ 1,993,694
10,743,984	449,373	11,193,357
40,000		40,000
<u>\$ 12,499,078</u>	<u>\$ 727,973</u>	<u>\$ 13,227,051</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2007

	<u>General Fund</u>	<u>Accommodations Tax Fund</u>	<u>Hospitality Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,422,843	\$ 793,807	\$ 788,598
Receivables (Net):			
Property Taxes	115,529		
Hospitality Fees			36,034
Local Accommodations Taxes			
Intergovernmental	141,906	16,873	
Other	52,134	184	386
Inventories	6,185		
Prepaid Assets	77,538		
Restricted Cash and Cash Equivalents	<u>59,160</u>		
Total Assets	<u>\$ 4,875,295</u>	<u>\$ 810,864</u>	<u>\$ 825,018</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>
\$ 24,919	\$ 1,439,840	\$ 7,470,007
		115,529
		36,034
3,752		3,752
		158,779
98	621	53,423
		6,185
		77,538
		59,160
<u>28,769</u>	<u>1,440,461</u>	<u>7,980,407</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2007

	General Fund	Accommodations Tax Fund	Hospitality Fund
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenses	\$ 249,880	\$ 11,693	\$ 17,929
Accrued Salaries	62,731		
Compensated Absences	6,054		
Payable From Restricted Assets:			
Bail Bonds	44,598		
Drug Funds	14,562		
Deferred Revenue	87,305		108,000
Total Liabilities	\$ 465,130	\$ 11,693	\$ 125,929
Fund Balances:			
Reserved for:			
Inventories	\$ 6,185	\$	\$
Prepaid Assets	77,538		
Drug Enforcement	6,816		
Victim Services	2,533		
Unreserved, Reported in:			
General Fund:			
Designated for Capital Replacements	707,927		
Designated for Cash Flow Requirements	300,000		
Designated for Emergencies	100,000		
Designated for Land	208,947		
Designated for Street Improvements	549,107		
Undesignated	2,451,112		
Special Revenue Funds:			
Designated for Beach Renourishment		799,171	
Designated for Veterans Memorial			7,217
Undesignated			691,872
Capital Projects Fund:			
Designated for Storm Water Projects			
Total Fund Balances	\$ 4,410,165	\$ 799,171	\$ 699,089
Total Liabilities and Fund Balances	\$ 4,875,295	\$ 810,864	\$ 825,018

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>
\$	\$ 12,473	\$ 291,975
		62,731
		6,054
		44,598
		14,562
		195,305
\$ <u> </u>	\$ <u>12,473</u>	\$ <u>615,225</u>
\$	\$	\$ 6,185
		77,538
		6,816
		2,533
		707,927
		300,000
		100,000
		208,947
		549,107
		2,451,112
		799,171
		7,217
28,769		720,641
\$ <u>28,769</u>	\$ <u>1,427,988</u>	\$ <u>1,427,988</u>
\$ <u>28,769</u>	\$ <u>1,427,988</u>	\$ <u>7,365,182</u>
\$ <u>28,769</u>	\$ <u>1,440,461</u>	\$ <u>7,980,407</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
March 31, 2007

Total Fund Balances - Total Governmental Funds	\$	7,365,182
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.		7,559,803
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		87,305
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(2,513,212)</u>
Net Assets of Governmental Activities	\$	<u>12,499,078</u>

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, 2007

	General Fund	Accommodations Tax Fund	Hospitality Fund
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 1,900,456	\$	\$
Franchise Taxes	496,568		
Hospitality Fees			674,718
Local Accommodations Taxes			
Licenses and Permits	1,603,205		
Fines and Forfeitures	200,389		
Intergovernmental	323,562	484,524	38,175
Other	494,306	48,091	44,394
Total Revenues	<u>\$ 5,018,486</u>	<u>\$ 532,615</u>	<u>\$ 757,287</u>
EXPENDITURES			
Current:			
General Government	\$ 800,304	\$	\$
Public Safety	1,666,281	106,304	38,358
Building and Zoning	231,620		
Street	542,878	45,030	21,426
Intragovernmental Maintenance	83,768		
Culture and Recreation	414,782		32,991
Non-Departmental	192,715	401,444	5,430
Capital Outlay	793,852	54,338	168,823
Debt Service:			
Principal	320,000		
Interest	69,150		
Agent Fees	998		
Total Expenditures	<u>\$ 5,116,348</u>	<u>\$ 607,116</u>	<u>\$ 267,028</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (97,862)</u>	<u>\$ (74,501)</u>	<u>\$ 490,259</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 239,976	\$	\$
Transfers Out		(47,976)	(457,000)
Proceeds From Sale of Capital Assets	11,909		
Total Other Financing Sources (Uses)	<u>\$ 251,885</u>	<u>\$ (47,976)</u>	<u>\$ (457,000)</u>
Net Change in Fund Balances	\$ 154,023	\$ (122,477)	\$ 33,259
Beginning Fund Balance, as Restated (Note 14)	<u>4,256,142</u>	<u>921,648</u>	<u>665,830</u>
Ending Fund Balance	<u>\$ 4,410,165</u>	<u>\$ 799,171</u>	<u>\$ 699,089</u>

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

Local Accommodations Tax Fund	Capital Projects Fund	Total Governmental Funds
\$	\$ 238,432	\$ 2,138,888
		496,568
		674,718
136,914		136,914
		1,603,205
		200,389
		846,261
1,066	51,228	639,085
<u>\$ 137,980</u>	<u>\$ 289,660</u>	<u>\$ 6,736,028</u>
\$	\$	\$ 800,304
		1,810,943
		231,620
	37,684	647,018
		83,768
		447,773
		599,589
	93,842	1,110,855
		320,000
		69,150
		998
<u>\$</u>	<u>\$ 131,526</u>	<u>\$ 6,122,018</u>
<u>\$ 137,980</u>	<u>\$ 158,134</u>	<u>\$ 614,010</u>
\$	\$ 400,000	\$ 639,976
(115,000)		(619,976)
		11,909
<u>\$ (115,000)</u>	<u>\$ 400,000</u>	<u>\$ 31,909</u>
\$ 22,980	\$ 558,134	\$ 645,919
5,789	869,854	6,719,263
<u>\$ 28,769</u>	<u>\$ 1,427,988</u>	<u>\$ 7,365,182</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, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ 645,919

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 capital outlay exceeded depreciation in the current period. 740,014

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. 9,024

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 7,778

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 320,000

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. (7,641)

Change in Net Assets of Governmental Activities \$ 1,715,094

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, 2007

	<u>Sanitation Enterprise Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 199,631
Receivables (Net):	
Accounts	152,259
Other	791
Prepaid Assets	13,980
Total Current Assets	<u>\$ 366,661</u>
Noncurrent Assets:	
Other Capital Assets (Net)	<u>\$ 410,834</u>
Total Assets	<u>\$ 777,495</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 21,758
Compensated Absences	9,879
Total Current Liabilities	<u>\$ 31,637</u>
Noncurrent Liabilities:	
Compensated Absences	<u>\$ 17,885</u>
Total Liabilities	<u>\$ 49,522</u>
NET ASSETS	
Invested in Capital Assets	\$ 410,834
Unrestricted	<u>317,139</u>
Total Net Assets	<u><u>\$ 727,973</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, 2007

	<u>Sanitation Enterprise Fund</u>
OPERATING REVENUES	
Charges for Services	\$ <u>1,141,924</u>
OPERATING EXPENSES	
Personnel Service and Related Expenses	\$ 443,754
Maintenance and Service Contracts	239,916
Materials and Supplies	35,571
Repairs and Maintenance	1,430
Depreciation	91,104
Other Operating Expenses	117,862
Total Operating Expenses	\$ <u>929,637</u>
Operating Income	\$ <u>212,287</u>
NONOPERATING REVENUES	
Interest Earnings	\$ 7,286
Gain on Disposal of Capital Assets	75,675
Total Nonoperating Revenues	\$ <u>82,961</u>
Income Before Transfers and Capital Contributions	\$ 295,248
Capital Contributions	7,081
Transfers Out	<u>(23,729)</u>
Change in Net Assets	\$ 278,600
Total Net Assets - Beginning	<u>449,373</u>
Total Net Assets - Ending	\$ <u><u>727,973</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, 2007

	<u>Sanitation Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 1,091,976
Payments to Suppliers	(427,989)
Payments to Employees	(436,104)
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 227,883</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers Out	\$ (20,000)
Net Cash and Cash Equivalents Used by Noncapital Financing Activities	<u>\$ (20,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	\$ (135,659)
Proceeds from Disposal of Capital Assets	65,675
Net Cash and Cash Equivalents Used by Capital and Related Financing Activities	<u>\$ (69,984)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	\$ 6,693
Net Cash and Cash Equivalents Provided by Investing Activities	<u>\$ 6,693</u>
Net Increase in Cash and Cash Equivalents	\$ 144,592
Cash and Cash Equivalents - Beginning	<u>55,039</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 199,631</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, 2007

	<u>Sanitation Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities	
Operating Income	\$ 212,287
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation	91,104
(Increase) in Accounts Receivable (Net)	(49,948)
(Increase) in Prepaid Assets	(1,747)
(Decrease) in Accounts Payable	(1,246)
(Decrease) in Accrued Salaries	(8,027)
Increase in Compensated Absences	6,554
(Decrease) in Due to Other Funds	<u>(21,094)</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 227,883</u>
Noncash Investing, Capital, and Financing Activities	
Contribution of Capital Assets from Government	\$ <u>7,081</u>
Transfer of Capital Assets to Government	\$ <u>3,729</u>
Capital Asset Trade-Ins	\$ <u>10,000</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
March 31, 2007

ASSETS

Cash and Cash Equivalents	\$ <u>44,307</u>
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LIABILITIES

Due to Town Firemen's Association	\$ <u>44,307</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, 2007

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, 2007

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 operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

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, 2007

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, 2007

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, 2007

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, 2007

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 1st 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 1st and January 15th following their levy on October 1st. The lien date is January 15th 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 (\$2,513,212) follows:

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

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

Bonds Payable (Net)	\$ (2,215,281)
Note Payable	(232,789)
Compensated Absences	(105,273)
Accrued Interest Payable	(9,023)
Deferred Bond Issuance Costs (Net)	<u>49,154</u>
Total	<u>\$ (2,513,212)</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 (\$740,014) is comprised of the following:

Depreciation Expense	\$ (367,828)
Capital Outlay	<u>1,107,842</u>
Total	<u>\$ 740,014</u>

Another element of the reconciliation that relates to expenses that do not require the use of current financial resources (\$7,641) is comprised of the following:

Compensated Absences	\$ 7,260
Accrued Interest	(3,260)
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>\$ (7,641)</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, 2007, expenditures did not exceed appropriations for any of the Town's individual funds.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

B. Deficit Fund Equity

At March 31, 2007, none of the Town's individual funds have fund equity deficits.

Note 4 - DEPOSITS AND INVESTMENTS

A. Deposits

At year end, the carrying amount of the Town's deposits with financial institutions was \$1,362,553 and the corresponding bank balance was \$1,538,971. 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, 2007, 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, 2007, the Town's investments consisted solely of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$6,409,352. It is the policy of the State Treasurer that the weighted average maturity of the LGIP portfolio not exceed 60 days. For purposes of financial statement presentation, funds deposited with the SCLGIP are classified as cash and cash equivalents.

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

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

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

B. Investments (continued)

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.

Note 5 - RECEIVABLES

Receivables at March 31, 2007, 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	\$ 194,323	\$	\$	\$
Hospitality Fees			36,034	
Local Accommodations Taxes				3,752
Intergovernmental	141,906	16,873		
Customer Accounts				
Other	<u>52,134</u>	<u>184</u>	<u>386</u>	<u>98</u>
	\$ 388,363	\$ 17,057	\$ 36,420	\$ 3,850
Allowance for Doubtful Accounts	<u>(78,794)</u>			
Net Receivables	<u>\$ 309,569</u>	<u>\$ 17,057</u>	<u>\$ 36,420</u>	<u>\$ 3,850</u>

	<u>Capital Projects Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
Property Taxes	\$	\$	\$ 194,323
Hospitality Fees			36,034
Local Accommodations Taxes			3,752
Intergovernmental			158,779
Customer Accounts		153,059	153,059
Other	<u>621</u>	<u>791</u>	<u>54,214</u>
	\$ 621	\$ 153,850	\$ 600,161
Allowance for Doubtful Accounts		<u>(800)</u>	<u>(79,594)</u>
Net Receivables	<u>\$ 621</u>	<u>\$ 153,050</u>	<u>\$ 520,567</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 5 - RECEIVABLES (continued)

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.

Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At March 31, 2007, there were no interfund receivables and payables resulting from interfund transactions.

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

	Transfers In	Transfers Out
General Fund	\$ 239,976	\$
Accommodations Tax Fund		47,976
Hospitality Fund		457,000
Local Accommodations Tax Fund		115,000
Capital Projects Fund	400,000	
Sanitation Fund		23,729
Total	\$ 639,976	\$ 643,705

In the year ended March 31, 2007, the Town transferred Sanitation Fund capital assets with a net book value of \$3,729 to the General Fund. The net book value of the capital asset was reported as a transfer out in the Sanitation Fund. Because governmental funds do not report capital asset activity, no corresponding entry was made to record the contribution of the asset in the General Fund.

Note 7 - RESTRICTED CASH AND CASH EQUIVALENTS

The Town's restricted cash and cash equivalents consisted of the following at March 31, 2007:

Governmental Activities:

General Fund:		
Bail Bonds	\$	44,598
Drug Funds		14,562
Total	\$	59,160

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 8 - CAPITAL ASSETS

The Town's capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Depreciated:				
Land	\$ 1,694,393	\$ 587,134	\$	\$ 2,281,527
Construction in Progress	<u>105,961</u>	<u>90,852</u>	<u></u>	<u>196,813</u>
	<u>\$ 1,800,354</u>	<u>\$ 677,986</u>	<u>\$</u>	<u>\$ 2,478,340</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 526,347	\$ 93,435	\$	\$ 619,782
Buildings and Improvements	1,555,627	39,500		1,595,127
Machinery, Equipment and Vehicles	2,969,129	309,718	(157,372)	3,121,475
Infrastructure	<u>2,361,503</u>	<u>254,176</u>	<u></u>	<u>2,615,679</u>
	<u>\$ 7,412,606</u>	<u>\$ 696,829</u>	<u>\$ (157,372)</u>	<u>\$ 7,952,063</u>
Less Accumulated Depreciation for:				
Land Improvements	\$ (158,637)	\$ (24,791)	\$	\$ (183,428)
Buildings and Improvements	(557,499)	(48,916)		(606,415)
Machinery, Equipment and Vehicles	(1,809,232)	(214,603)	132,212	(1,891,623)
Infrastructure	<u>(109,616)</u>	<u>(79,518)</u>	<u></u>	<u>(189,134)</u>
	<u>\$ (2,634,984)</u>	<u>\$ (367,828)</u>	<u>\$ 132,212</u>	<u>\$ (2,870,600)</u>
Capital Assets (Net)	<u>\$ 6,577,976</u>	<u>\$ 1,006,987</u>	<u>\$ (25,160)</u>	<u>\$ 7,559,803</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

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>844,281</u>	<u>145,659</u>	<u>(204,555)</u>	<u>785,385</u>
	\$ <u>864,481</u>	\$ <u>145,659</u>	\$ <u>(204,555)</u>	\$ <u>805,585</u>
Less Accumulated Depreciation for:				
Buildings	\$ (11,782)	\$ (2,020)	\$	\$ (13,802)
Machinery, Equipment and Vehicles	<u>(499,772)</u>	<u>(89,084)</u>	<u>207,907</u>	<u>(380,949)</u>
	\$ <u>(511,554)</u>	\$ <u>(91,104)</u>	\$ <u>207,907</u>	\$ <u>(394,751)</u>
Capital Assets (Net)	\$ <u><u>352,927</u></u>	\$ <u><u>54,555</u></u>	\$ <u><u>3,352</u></u>	\$ <u><u>410,834</u></u>

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

Governmental Activities:	
General Government	\$ 143,962
Public Safety	141,946
Building and Zoning	2,452
Street	45,796
Culture and Recreational	<u>33,672</u>
Total	\$ <u><u>367,828</u></u>
Business-Type Activity:	
Sanitation	\$ <u>91,104</u>
Total	\$ <u><u>91,104</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, 2007, deferred revenue is comprised of delinquent property taxes receivable in the amount of \$87,305 that are considered unavailable and grant funds in the amount of \$108,000 that are considered unearned.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 10 - LONG-TERM LIABILITIES

A. Governmental Activities

At March 31, 2007, 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	\$ 3,165,000	2.0 - 3.0%	3/1/13	\$ 2,235,000
Note Payable	\$ 232,789	4.89%	11/30/08	\$ 232,789

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.

In November 2006, the Town entered into an agreement for the purchase of land for \$375,000. The Town paid \$125,000 down and executed a promissory note for the balance of \$250,000. The note is a non-interest bearing note, with annual payments of \$125,000, that matures on November 30, 2008. The note has been recorded at the present value of future cash flows, utilizing an imputed interest rate of 4.89%, which equals \$232,789.

Annual debt service requirements to maturity for all debt outstanding follows:

Year Ending March 31,	Principal		Interest		<u>Total</u>
	<u>Bonds</u>	<u>Notes</u>	<u>Bonds</u>	<u>Notes</u>	
2008	\$ 330,000	\$ 113,617	\$ 62,750	\$ 11,383	\$ 517,750
2009	345,000	119,172	54,500	5,828	524,500
2010	370,000		45,875		415,875
2011	375,000		35,700		410,700
2012	400,000		24,450		424,450
2013	415,000		12,450		427,450
Total	\$ <u>2,235,000</u>	\$ <u>232,789</u>	\$ <u>235,725</u>	\$ <u>17,211</u>	\$ <u>2,720,725</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 10 - LONG-TERM LIABILITIES (continued)

B. Changes in Long-Term Liabilities

The Town's long-term liability activity for the year ended March 31, 2007 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	\$ 2,555,000		\$ (320,000)	\$ 2,235,000	\$ 330,000
Premium	25,017		(3,617)	21,400	
Loss on Refunding	<u>(48,069)</u>		<u>6,950</u>	<u>(41,119)</u>	
	\$ 2,531,948		\$ (316,667)	\$ 2,215,281	\$ 330,000
Note Payable		232,789		232,789	113,617
Compensated Absences	<u>119,912</u>	<u>60,451</u>	<u>(69,036)</u>	<u>111,327</u>	<u>35,859</u>
Total	<u>\$ 2,651,860</u>	<u>\$ 293,240</u>	<u>\$ (385,703)</u>	<u>\$ 2,559,397</u>	<u>\$ 479,476</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activity:					
Compensated Absences	\$ <u>21,210</u>	\$ <u>27,500</u>	\$ <u>(20,946)</u>	\$ <u>27,764</u>	\$ <u>9,879</u>

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.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 11- RETIREMENT PLANS (continued)

B. Funding Policy

Members of the PORS and SCRS are required to contribute at rates of 6.5% (members of the SCRS contributed at 6.25% through the quarter ended June of 2006) of their covered wages. The Town is required to contribute at actuarially determined rates, currently 10.5% of PORS member wages and 8.2% (7.7% through June of 2006) of SCRS member wages which includes group life contributions of .2% and .15%, respectively. The contribution requirements of plan members and the Town are established and may be amended by the South Carolina Retirement Systems. The Town's contributions to the PORS for the fiscal years ended March 31, 2007, 2006, and 2005 were \$126,245, \$75,562, and \$68,927, respectively. The Town's contributions to the SCRS for the fiscal years ended March 31, 2007, 2006, and 2005 were \$215,483, \$113,237, and \$95,822, 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, 2007, 2006, and 2005. The Town also acquires insurance for job related injury and illness (workers' compensation) for its employees. Workers' compensation is insured under a retrospectively rated policy where premiums paid are estimated throughout the year and adjusted subsequent to the policy period based on actual experience.

Note 13 - LITIGATION AND CONTINGENCIES

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

Note 14 - NET ASSETS RESTATEMENT

During the current year, an error was discovered in reporting grant revenues of the prior period in the Hospitality Fund. The effect of this error understated the changes in net assets of governmental activities and the change in fund balances of governmental funds for the year ended March 31, 2006 by \$40,000. This error was corrected by restating the amount of governmental net assets and governmental fund balances as follows:

	Governmental Net Assets	Governmental Fund Balances
As Originally Reported	\$ 10,743,984	\$ 6,679,263
Unrecorded Grant Revenues	40,000	40,000
As Restated	\$ 10,783,984	\$ 6,719,263

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 15 - NET ASSETS RESTRICTIONS

The Town has restricted net assets in the amount of \$727,858, through enabling legislation, for tourism development and support financed by its local hospitality and accommodations taxes.

Note 16 - CONSTRUCTION COMMITMENTS

At March 31, 2007, the Town had one active construction project for the Myrtle Basin Watershed Drainage Improvement project. As of year end the Town has spent \$29,900 in connection with this phase of the project and has a remaining construction commitment of \$678,889.



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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,789,850	\$ 1,789,850	\$ 1,900,456	\$ 110,606
Franchise Fees	439,515	439,515	496,568	57,053
Licenses and Permits	1,498,300	1,498,300	1,603,205	104,905
Fines and Forfeitures	132,000	132,000	200,389	68,389
Intergovernmental	285,120	285,120	323,562	38,442
Other	257,000	257,000	494,306	237,306
Total Revenues	<u>\$ 4,401,785</u>	<u>\$ 4,401,785</u>	<u>\$ 5,018,486</u>	<u>\$ 616,701</u>
EXPENDITURES				
Current:				
General Government	\$ 804,280	\$ 893,780	\$ 800,304	\$ 93,476
Public Safety	1,759,955	1,774,955	1,666,281	108,674
Building and Zoning	302,225	302,225	231,620	70,605
Street	542,505	572,505	542,878	29,627
Intragovernmental Maintenance	89,485	89,485	83,768	5,717
Culture and Recreation	408,430	408,430	414,782	(6,352)
Non-Departmental	187,620	187,620	192,715	(5,095)
Capital Outlay	477,500	851,500	793,852	57,648
Debt Service:				
Principal	320,000	320,000	320,000	
Interest	69,150	69,150	69,150	
Agent Fees	1,500	1,500	998	502
Total Expenditures	<u>\$ 4,962,650</u>	<u>\$ 5,471,150</u>	<u>\$ 5,116,348</u>	<u>\$ 354,802</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (560,865)</u>	<u>\$ (1,069,365)</u>	<u>\$ (97,862)</u>	<u>\$ 971,503</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 230,000	\$ 230,000	\$ 239,976	\$ 9,976
Proceeds From Sale of Capital Assets	3,000	3,000	11,909	8,909
Total Other Financing Sources (Uses)	<u>\$ 233,000</u>	<u>\$ 233,000</u>	<u>\$ 251,885</u>	<u>\$ 18,885</u>
Net Change in Fund Balances	<u>\$ (327,865)</u>	<u>\$ (836,365)</u>	<u>\$ 154,023</u>	<u>\$ 990,388</u>
Fund Balances - Beginning	<u>4,256,142</u>	<u>4,256,142</u>	<u>4,256,142</u>	
Fund Balances - Ending	<u>\$ 3,928,277</u>	<u>\$ 3,419,777</u>	<u>\$ 4,410,165</u>	<u>\$ 990,388</u>

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 385,000	\$ 385,000	\$ 484,524	\$ 99,524
Other	20,000	20,000	48,091	28,091
Total Revenues	<u>\$ 405,000</u>	<u>\$ 405,000</u>	<u>\$ 532,615</u>	<u>\$ 127,615</u>
EXPENDITURES				
Current:				
Public Safety	\$ 110,000	\$ 110,000	\$ 106,304	\$ 3,696
Street	20,000	50,000	45,030	4,970
Non-Departmental	168,000	406,000	401,444	4,556
Capital Outlay	19,000	52,000	54,338	(2,338)
Total Expenditures	<u>\$ 317,000</u>	<u>\$ 618,000</u>	<u>\$ 607,116</u>	<u>\$ 10,884</u>
Excess of Revenues Over Expenditures	\$ 88,000	\$ (213,000)	\$ (74,501)	\$ 138,499
OTHER FINANCING (USES)				
Transfers Out	<u>\$ (43,000)</u>	<u>\$ (43,000)</u>	<u>\$ (47,976)</u>	<u>\$ (4,976)</u>
Net Change in Fund Balances	\$ 45,000	\$ (256,000)	\$ (122,477)	\$ 133,523
Fund Balances - Beginning	<u>921,648</u>	<u>921,648</u>	<u>921,648</u>	
Fund Balances - Ending	<u><u>\$ 966,648</u></u>	<u><u>\$ 665,648</u></u>	<u><u>\$ 799,171</u></u>	<u><u>\$ 133,523</u></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, 2007

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Hospitality Fees	\$ 625,000	\$ 625,000	\$ 674,718	\$ 49,718
Intergovernmental			38,175	38,175
Other	25,000	25,000	44,394	19,394
Total Revenues	\$ 650,000	\$ 650,000	\$ 757,287	\$ 107,287
EXPENDITURES				
Current:				
Public Safety	\$ 27,000	\$ 51,000	\$ 38,358	\$ 12,642
Street	230,000	230,000	21,426	208,574
Culture and Recreation	53,000	53,000	32,991	20,009
Non-Departmental	15,000	15,000	5,430	9,570
Capital Outlay	55,000	174,000	168,823	5,177
Total Expenditures	\$ 380,000	\$ 523,000	\$ 267,028	\$ 255,972
Excess of Revenues Over Expenditures	\$ 270,000	\$ 127,000	\$ 490,259	\$ 363,259
OTHER FINANCING (USES)				
Transfers Out	\$ (457,000)	\$ (457,000)	\$ (457,000)	\$ _____
Net Change in Fund Balances	\$ (187,000)	\$ (330,000)	\$ 33,259	\$ 363,259
Fund Balances - Beginning	625,830	625,830	625,830	
Adjustment to Beginning Fund Balances	40,000	40,000	40,000	_____
Fund Balances - Ending	\$ 478,830	\$ 335,830	\$ 699,089	\$ 363,259

**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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Local Accommodations Taxes	\$ 110,000	\$ 110,000	\$ 136,914	\$ 26,914
Other			1,066	1,066
Total Revenues	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 137,980</u>	<u>\$ 27,980</u>
OTHER FINANCING (USES)				
Transfers Out	\$ (110,000)	\$ (120,000)	\$ (115,000)	\$ 5,000
Net Change in Fund Balances	\$	\$ (10,000)	\$ 22,980	\$ 32,980
Fund Balances - Beginning	<u>5,789</u>	<u>5,789</u>	<u>5,789</u>	
Fund Balances - Ending	<u><u>\$ 5,789</u></u>	<u><u>\$ (4,211)</u></u>	<u><u>\$ 28,769</u></u>	<u><u>\$ 32,980</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
March 31, 2007

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 1st, the Town Administrator submits to Town Council a proposed operating budget for the fiscal year commencing April 1st. 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 31st, 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, 2007, 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, 2007 as follows:

General Fund	\$ 508,500
Accommodations Tax Fund	301,000
Hospitality Fund	143,000

INDIVIDUAL FUND STATEMENT

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIREMEN'S FUND
Year Ended March 31, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
ASSETS				
Cash and Cash Equivalents	\$ <u>59,999</u>	\$ <u>34,484</u>	\$ <u>50,176</u>	\$ <u>44,307</u>
LIABILITIES				
Due to Town Firemen's Association	\$ <u>59,999</u>	\$ <u>34,484</u>	\$ <u>50,176</u>	\$ <u>44,307</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 225,900	\$ 225,900	\$ 238,432	\$ 12,532
Other	10,000	10,000	51,228	41,228
Total Revenues	<u>\$ 235,900</u>	<u>\$ 235,900</u>	<u>\$ 289,660</u>	<u>\$ 53,760</u>
EXPENDITURES				
Current:				
Street	\$ 75,000	\$ 75,000	\$ 37,684	\$ 37,316
Capital Outlay	1,300,000	200,000	93,842	106,158
Total Expenditures	<u>\$ 1,375,000</u>	<u>\$ 275,000</u>	<u>\$ 131,526</u>	<u>\$ 143,474</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,139,100)	\$ (39,100)	\$ 158,134	\$ 197,234
OTHER FINANCING SOURCES				
Transfers In	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ _____</u>
Net Change in Fund Balances	\$ (739,100)	\$ 360,900	\$ 558,134	\$ 197,234
Fund Balances - Beginning	<u>869,854</u>	<u>869,854</u>	<u>869,854</u>	<u>_____</u>
Fund Balances - Ending	<u><u>\$ 130,754</u></u>	<u><u>\$ 1,230,754</u></u>	<u><u>\$ 1,427,988</u></u>	<u><u>\$ 197,234</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
SANITATION FUND
Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	(Negative)
OPERATING REVENUES				
Charges for Services	\$ 1,098,620	\$ 1,098,620	\$ 1,141,924	\$ 43,304
Total Revenues	\$ 1,098,620	\$ 1,098,620	\$ 1,141,924	\$ 43,304
OPERATING EXPENSES				
Personnel Service and Related Expenses	\$ 468,800	\$ 468,800	\$ 443,754	\$ 25,046
Maintenance and Service Contracts	235,000	235,000	239,916	(4,916)
Materials and Supplies	43,900	43,900	35,571	8,329
Repairs and Maintenance	2,500	2,500	1,430	1,070
Depreciation	100,000	100,000	91,104	8,896
Other Operating Expenses	111,950	111,950	117,862	(5,912)
Total Operating Expenses	\$ 962,150	\$ 962,150	\$ 929,637	\$ 32,513
Operating Income (Loss)	\$ 136,470	\$ 136,470	\$ 212,287	\$ 75,817
NONOPERATING REVENUES				
Interest Earnings	\$ 2,500	\$ 2,500	\$ 7,286	\$ 4,786
Gain on Disposal of Capital Assets			75,675	75,675
Total Nonoperating Revenues	\$ 2,500	\$ 2,500	\$ 82,961	\$ 80,461
Income (Loss) Before Transfers and Capital Contributions	\$ 138,970	\$ 138,970	\$ 295,248	\$ 156,278
Capital Contributions			7,081	7,081
Transfers Out	(20,000)	(20,000)	(23,729)	(3,729)
Change in Net Assets	\$ 118,970	\$ 118,970	\$ 278,600	\$ 159,630
Total Net Assets - Beginning	449,373	449,373	449,373	
Total Net Assets - Ending	\$ 568,343	\$ 568,343	\$ 727,973	\$ 159,630

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
Year Ended March 31, 2007

COURT FINES

Court Fines Collected	\$ 147,651
Court Fines Retained by Town	<u>(147,651)</u>
Court Fines Remitted to the State Treasurer	<u><u>\$</u></u>

COURT ASSESSMENTS

Court Assessments Collected	\$ 149,851
Court Assessments Retained by Town	<u>(17,027)</u>
Court Assessments Remitted to the State Treasurer	<u><u>\$</u></u>

COURT SURCHARGES

Court Surcharges Collected	\$ 64,611
Court Surcharges Retained by Town	<u>(11,452)</u>
Court Surcharges Remitted to the State Treasurer	<u><u>\$</u></u>

COURT DPS PULLOUTS

Court DPS Pullouts Collected	\$ 6,572
Court DPS Pullouts Retained by Town	<u> </u>
Court DPS Pullouts Remitted to the State Treasurer	<u><u>\$</u></u>

VICTIMS SERVICES

Court Assessments Allocated to Victim Services	\$ 17,027
Court Surcharges Allocated to Victim Services	<u>11,452</u>
Total Funds Allocated to Victim Services	<u>\$ 28,479</u>
Victim Services Expenditures	<u>(25,946)</u>
Funds Available for Carryforward	<u><u>\$ 2,533</u></u>

STATISTICAL INFORMATION

STATISTICAL SECTION

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

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	53-60
Revenue Capacity	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	61-64
Debt Capacity	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	65-68
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	69-70
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	71-73

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Governmental activities										
Invested in capital assets, net of related debt	\$ 5,393,676	\$ 4,103,490	\$ 3,905,344	\$ 2,212,777	\$	\$	\$	\$	\$	\$
Restricted	1,536,378	1,558,229	1,431,687	1,813,481						
Unrestricted	5,569,024	5,082,265	3,703,492	3,160,205						
Total governmental activities net assets	\$ 12,499,078	\$ 10,743,984	\$ 9,040,523	\$ 7,186,463	\$	\$	\$	\$	\$	\$
Business-type activities										
Invested in capital assets, net of related debt	\$ 410,834	\$ 352,927	\$ 371,668	\$ 304,001	\$	\$	\$	\$	\$	\$
Unrestricted	317,139	96,446	69,340	111,154						
Total business-type activities net assets	\$ 727,973	\$ 449,373	\$ 441,008	\$ 415,155	\$	\$	\$	\$	\$	\$
Primary Government										
Invested in capital assets, net of related debt	\$ 5,804,510	\$ 4,456,417	\$ 4,277,012	\$ 2,516,778	\$	\$	\$	\$	\$	\$
Restricted	1,536,378	1,558,229	1,431,687	1,813,481						
Unrestricted	5,886,163	5,178,711	3,772,832	3,271,359						
Total primary government activities net assets	\$ 13,227,051	\$ 11,193,357	\$ 9,481,531	\$ 7,601,618	\$	\$	\$	\$	\$	\$

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Expenses										
Governmental activities:										
General Government	\$ 1,518,483	\$ 1,095,556	\$ 1,041,351	\$ 1,120,580	\$	\$	\$	\$	\$	\$
Public Safety	2,015,991	2,072,616	1,885,525	1,723,611						
Building and Zoning	238,278									
Street	732,622	711,466	577,946	500,730						
Culture and Recreation	479,222	398,886	418,413	424,559						
Interest and Fiscal Charges	85,049	87,255	93,271	157,207						
Total governmental activities expense	5,069,645	4,365,779	4,016,506	3,926,687						
Business-type activities:										
Sanitation	929,637	915,909	858,613	818,329						
Total business-type activities	929,637	915,909	858,613	818,329						
Total primary government expenses	\$ 5,999,282	\$ 5,281,688	\$ 4,875,119	\$ 4,745,016	\$	\$	\$	\$	\$	\$
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 95,322	\$ 104,791	\$ 94,636	\$ 91,525	\$	\$	\$	\$	\$	\$
Public Safety	223,656	511,478	402,749	338,202						
Building and Zoning	271,658									
Culture and Recreation	59,487	54,251	62,254	68,337						
Operating Grants and Contributions	83,425	52,633	70,524	33,263						
Capital Grants and Contributions	94,350	75,959	413,238	409,324						
Total governmental activities program revenues	827,898	799,112	1,043,401	940,651						
Business-type activities:										
Charges for Services	1,141,924	925,145	865,325	802,599						
Operating Grants and Contributions			17,405							
Total business-type activities program revenues	1,141,924	925,145	882,730	802,599						
Total primary government revenues	\$ 1,969,822	\$ 1,724,257	\$ 1,926,131	\$ 1,743,250	\$	\$	\$	\$	\$	\$

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Net (expense) revenue	\$ (4,241,747)	\$ (3,566,667)	\$ (2,973,105)	\$ (2,986,036)	\$	\$	\$	\$	\$	\$
Governmental activities	212,287	9,236	24,117	(15,730)						
Business-type activities	(4,029,460)	(3,557,431)	(2,948,988)	(3,001,766)						
Total primary government net expense										
General Revenues and Other Changes in Net Assets										
Governmental activities										
Property taxes	\$ 2,146,666	\$ 2,088,116	\$ 1,979,199	\$ 1,919,558	\$	\$	\$	\$	\$	\$
Local Accommodations Taxes	136,914	116,393	106,475	97,211						
Business Licenses Taxes	1,331,700	1,192,406	1,018,750	944,899						
Franchise Taxes	496,568	469,622	446,194	463,956						
Hospitality Fees	674,718	615,341	588,603	560,257						
Unrestricted Grants and Contributions	686,736	617,989	586,771	544,689						
Investment Earnings	373,855	209,305	82,684	65,317						
Gain on Disposal of Capital Assets	29,494	7,551	8,489							
Other General Revenues	63,542									
Transfers	16,648	9,618	10,000	10,000						
Total governmental activities	5,956,841	5,326,341	4,827,165	4,605,887						
Business-type activities										
Investment Earnings	7,286	2,567	625	956						
Gain on Disposal of Capital Assets	75,675	11,820	11,111							
Transfers	(16,648)	(9,618)	(10,000)	(10,000)						
Total business-type activities	66,313	4,769	1,736	(9,044)						
Total primary government	\$ 6,023,154	\$ 5,331,110	\$ 4,828,901	\$ 4,596,843	\$	\$	\$	\$	\$	\$
Changes in Net Assets										
Governmental activities	\$ 1,715,094	\$ 1,759,674	\$ 1,854,060	\$ 1,619,851	\$	\$	\$	\$	\$	\$
Business-type activities	278,600	14,005	25,853	(24,774)						
Total primary government	\$ 1,993,694	\$ 1,773,679	\$ 1,879,913	\$ 1,595,077	\$	\$	\$	\$	\$	\$

Note: The Town of Surfside Beach is retroactively reporting data back to the year of GASB Statement 34 implementation, which was fiscal year ending 2004. Information on the changes in net assets is not available prior to that fiscal year. Building and Zoning was not separately budgeted and presented prior to fiscal year 2007.

UNAUDITED

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

Fiscal Year	Property Taxes	Local Accommodations Taxes	Business Licenses Taxes	Franchise Taxes	Hospitality Fees	Total
1998	\$ ██████████	\$ ██████████	\$ ██████████	\$ ██████████	\$ ██████████	\$ ██████████
1999	██████████	██████████	██████████	██████████	██████████	██████████
2000	██████████	██████████	██████████	██████████	██████████	██████████
2001	██████████	██████████	██████████	██████████	██████████	██████████
2002	██████████	██████████	██████████	██████████	██████████	██████████
2003	██████████	██████████	██████████	██████████	██████████	██████████
2004	1,919,558	97,211	944,899	463,956	560,257	3,985,881
2005	1,979,199	106,475	1,018,750	446,194	588,603	4,139,221
2006	2,088,116	116,393	1,192,406	469,622	615,341	4,481,878
2007	2,146,666	136,914	1,331,700	496,568	674,718	4,786,566

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 93,072	\$ 75,261	\$ 33,315	\$ 35,182	\$ 32,645	\$ 30,828	\$ 31,442	\$ 28,006	\$ 24,075	\$ 26,081
Unreserved - designated	1,865,981	2,279,217	2,084,519	2,033,345	1,934,368	1,785,327	1,583,651	1,711,458	2,076,333	1,948,378
Unreserved - undesignated	2,451,112	1,901,664	1,394,656	942,261	1,260,260	974,821	792,600	625,008	569,490	567,483
Total General Fund	\$ 4,410,165	\$ 4,256,142	\$ 3,512,490	\$ 3,010,788	\$ 3,227,273	\$ 2,790,976	\$ 2,407,693	\$ 2,364,472	\$ 2,669,898	\$ 2,541,942
All Other Governmental Funds										
Unreserved - designated, reported in:										
Special Revenue Funds	\$ 806,388	\$ 867,860	\$ 797,982	\$ 731,586	\$ 685,190	\$ 620,268	\$ 427,068	\$ 152,376	\$ 102,376	\$ 489,772
Capital Projects Fund	1,427,988	869,854	274,872	249,670						
Unreserved - undesignated, reported in:										
Special Revenue Funds	720,641	685,407	633,705	1,081,895	801,547	597,352	459,587	393,268	311,559	193,737
Total All Other Governmental Funds	\$ 2,955,017	\$ 2,423,121	\$ 1,706,559	\$ 2,063,151	\$ 1,486,737	\$ 1,217,620	\$ 886,655	\$ 545,644	\$ 413,935	\$ 683,509

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues										
Property Taxes	\$ 2,138,888	\$ 2,089,430	\$ 1,977,665	\$ 1,904,727	\$ 1,549,091	\$ 1,503,677	\$ 1,494,180	\$ 1,498,268	\$ 1,557,105	\$ 1,524,824
Franchise Taxes	496,568	469,622	446,194	463,956	411,069	404,842	389,423	361,779	367,534	354,371
Hospitality Taxes	674,718	615,341	588,603	560,257	523,223	498,807	475,182	450,204	428,461	389,945
Local Accommodations Taxes	136,914	116,393	106,475	97,211	70,790					
Licenses and Permits	1,603,205	1,538,253	1,308,524	1,152,481	1,078,292	1,046,050	891,821	853,703	881,536	697,613
Fines and Forfeitures	200,389	143,450	112,289	120,975	157,129	211,580	173,044	140,597	123,275	99,658
Intergovernmental	846,261	733,381	1,061,879	902,418	661,115	655,736	645,570	804,289	659,222	650,508
Other	639,085	406,158	248,914	238,482	165,711	159,493	119,027	111,165	119,820	122,158
Total Revenues	6,736,028	6,112,028	5,850,543	5,440,507	4,616,420	4,480,185	4,188,247	4,220,005	4,136,953	3,839,077
Expenditures										
General Government	800,304	698,260	665,268	604,629	536,936	520,647	494,309	481,625	458,466	371,635
Public Safety	1,810,943	1,916,226	1,714,933	1,574,263	1,371,654	1,346,274	1,306,964	1,208,816	1,114,792	1,033,277
Building and Zoning	231,620									
Street	647,018	582,603	464,442	451,789	543,656	448,451	409,695	374,407	339,025	351,733
Intragovernmental Maintenance	83,768	106,545	78,784	83,011	70,630	120,176	133,997	116,241	108,519	114,701
Culture and Recreation	447,773	362,944	387,278	409,503	369,884	333,865	316,652	288,352	273,637	256,774
Non-Departmental	599,589	331,733	313,716	359,923	448,982	402,180	385,053	370,096	936,829	455,061
Capital Outlay	1,110,855	281,261	1,719,032	1,196,761	304,923	288,444	569,147	1,326,691	705,562	757,295
Debt Service:										
Principal	320,000	310,000	300,000	346,347	255,000	245,000	235,000	220,000	215,000	205,000
Interest	69,150	73,350	88,129	75,698	174,179	185,204	195,769	205,669	215,344	224,559
Agent Fees	998	780	780	540	1,027	976	973	4,289	2,610	3,652
Total Expenditures	6,122,018	4,663,702	5,732,362	5,102,464	4,076,871	3,891,217	4,047,559	4,596,186	4,369,784	3,773,687
Excess (Deficiency) of Revenues Over (Under) Expenditures	614,010	1,448,326	118,181	338,043	539,549	588,968	140,688	(376,181)	(232,831)	65,390

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Other Financing Sources (Uses)										
Transfers In	639,976	691,133	1,208,199	1,064,446	174,395	98,081	116,867	81,248	98,722	98,201
Transfers Out	(619,976)	(681,133)	(1,198,199)	(1,054,446)	(164,395)	(98,081)	(116,867)	(81,248)	(98,722)	(98,201)
Proceeds Sale of Capital Assets	11,909	5,487	16,929		78,939	11,909	8,042	5,275	4,741	29,801
Total Financing Sources (Uses)	31,909	15,487	26,929	10,000	88,939	11,909	8,042	5,275	4,741	29,801
Net Change in Fund Balances	\$ 645,919	\$ 1,463,813	\$ 145,110	\$ 348,043	\$ 628,488	\$ 600,877	\$ 148,730	\$ (370,906)	\$ (228,090)	\$ 95,191
Debt Service as a Percentage of Noncapital Expenditures	7.79%	8.77%	9.69%	10.82%	11.41%	11.97%	12.41%	13.15%	11.82%	14.36%

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

Fiscal Year	Property Taxes	Local Accommodations Taxes	Business Licenses Taxes	Franchise Taxes	Hospitality Fees	Total
1998	\$ 1,524,824	\$	\$ 697,613	\$ 354,371	\$ 389,945	\$ 2,966,753
1999	1,557,105		881,536	367,534	428,461	3,234,636
2000	1,498,268		853,703	361,779	450,204	3,163,954
2001	1,494,180		891,821	389,423	475,182	3,250,606
2002	1,503,677		1,046,050	404,842	498,807	3,453,376
2003	1,549,091	70,790	1,078,292	411,069	523,223	3,632,465
2004	1,904,727	97,211	944,899	463,956	560,257	3,971,050
2005	1,977,665	106,475	1,018,750	446,194	588,603	4,137,687
2006	2,089,430	116,393	1,192,406	469,622	615,341	4,483,192
2007	2,138,888	136,914	1,331,700	496,568	674,718	4,778,788

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

Fiscal Year End	Tax Year	Real Property Assessed Value	Personal Property Assessed Value	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Tax Millage	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
3/31/98	1997	\$ 19,663,411	\$ 4,220,605	\$ Unavailable	\$ 23,884,016	63.0	\$ 391,328,577	6.10%
3/31/99	1998	20,344,571	4,629,405	343,720	24,630,256	63.0	401,247,625	6.14%
3/31/00	1999	28,328,963	4,336,059	521,250	32,143,772	44.0	537,862,104	5.98%
3/31/01	2000	29,215,816	5,106,974	552,732	33,770,058	44.0	570,330,991	5.92%
3/31/02	2001	29,724,208	5,011,066	563,586	34,171,688	44.0	578,513,867	5.91%
3/31/03	2002	30,177,455	4,357,129	566,862	33,967,722	44.0	585,987,222	5.80%
3/31/04	2003	30,751,725	4,649,722	586,434	34,815,013	55.0	600,801,524	5.79%
3/31/05	2004	32,130,479	4,850,437	577,570	36,403,346	55.0	627,652,298	5.80%
3/31/06	2005	42,282,679	4,783,074	564,764	46,500,989	44.0	814,836,264	5.71%
3/31/07	2006	43,396,201	5,254,120	573,840	48,076,481	44.0	840,608,661	5.72%

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 RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

Tax Year	Town of Surfside Beach			County			Overlapping Rates			Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total Town Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School District Millage	
1997	63.0		63.0	42.1	3.5	45.6	104.3	25.0	129.3	237.9
1998	63.0		63.0	42.1	3.5	45.6	106.3	23.0	129.3	237.9
1999	44.0		44.0	35.3	4.9	40.2	91.0	22.7	113.7	197.9
2000	44.0		44.0	38.7	5.7	44.4	94.4	22.0	116.4	204.8
2001	44.0		44.0	43.9	7.0	50.9	102.9	22.0	124.9	219.8
2002	44.0		44.0	43.9	7.0	50.9	102.9	22.0	124.9	219.8
2003	55.0		55.0	44.7	6.2	50.9	108.4	22.0	130.4	236.3
2004	55.0		55.0	44.7	6.2	50.9	108.4	22.0	130.4	236.3
2005	44.0		44.0	41.0	5.3	46.3	101.7	28.0	129.7	220.0
2006	44.0		44.0	41.0	5.3	46.3	107.3	28.0	135.3	225.6

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

March 31, 2007

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Verizon South, Inc.	\$ 484,270	1	1.01%	\$		
Surfside Pier Hotel, Ltd.	433,542	2	0.90%	325,878	1	1.36%
Jefferson-Pilot Life Insurance	357,636	3	0.74%			
Lodgian Hotels Fixed IV, LP	215,142	4	0.45%			
Scalise Development, Inc.	202,005	5	0.42%			
Bonnie Jean Hammond-Robinson	175,788	6	0.37%	106,824	6	0.45%
Deerfield GDS, LLC	167,208	7	0.35%			
Scalise Properties, LLC	147,600	8	0.31%			
RMP, LLC	146,640	9	0.31%			
Hospital Corporation of America	135,900	10	0.28%			
S.C. Lodging Association				290,592	2	1.22%
Sam Scalise				126,726	3	0.53%
David Tebele				119,376	4	0.50%
AHP Corporation				114,954	5	0.48%
Scalise Builders				86,826	7	0.36%
Deerfield Plaza GP, Inc.				77,142	8	0.32%
Great American Entertainment				69,402	9	0.29%
James Calhoun				66,168	10	0.28%
	<u>\$ 2,465,731</u>		<u>5.13%</u>	<u>\$ 1,383,888</u>		<u>5.79%</u>

Source: Horry County Treasurer's Office.

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended	Total Tax Levy (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
3/31/98	\$ 1,758,056	\$ 1,462,910	83.21%	\$ 46,842	\$ 1,509,752	85.88%
3/31/99	1,778,460	1,503,252	84.53%	40,281	1,543,533	86.79%
3/31/00	1,728,457	1,452,299	84.02%	32,588	1,484,887	85.91%
3/31/01	1,728,979	1,413,811	81.77%	71,850	1,485,661	85.93%
3/31/02	1,711,710	1,407,132	82.21%	77,575	1,484,707	86.74%
3/31/03	1,696,417	1,446,681	85.28%	95,194	1,541,875	90.89%
3/31/04	2,067,642	1,806,967	87.39%	70,073	1,877,040	90.78%
3/31/05	2,135,702	1,885,402	88.28%	86,853	1,972,255	92.35%
3/31/06	2,230,238	1,985,077	89.01%	81,264	2,066,341	92.65%
3/31/07	2,002,191	1,906,087	95.20%		1,906,087	95.20%

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

(2) Reflects collection of delinquent taxes by year, excluding vehicles.

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

Fiscal Year Ended	Governmental Activities			Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Note Payable	Total Primary Government		
3/31/98	\$ 4,495,000	\$	\$ 4,495,000	\$ Unavailable	\$ 946
3/31/99	4,280,000		4,280,000	Unavailable	871
3/31/00	4,060,000		4,060,000	Unavailable	799
3/31/01	3,825,000		3,825,000	3.54%	864
3/31/02	3,580,000		3,580,000	3.31%	804
3/31/03	3,325,000		3,325,000	3.07%	740
3/31/04	3,165,000		3,165,000	2.93%	684
3/31/05	2,865,000		2,865,000	2.65%	597
3/31/06	2,555,000		2,555,000	2.36%	512
3/31/07	2,235,000	232,789	2,467,789	2.28%	476

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

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

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
3/31/98	\$ 4,495,000	\$	\$ 4,495,000	1.15%	\$ 946
3/31/99	4,280,000		4,280,000	1.07%	871
3/31/00	4,060,000		4,060,000	0.75%	799
3/31/01	3,825,000		3,825,000	0.67%	864
3/31/02	3,580,000		3,580,000	0.62%	804
3/31/03	3,325,000		3,325,000	0.59%	740
3/31/04	3,165,000		3,165,000	0.53%	684
3/31/05	2,865,000		2,865,000	0.46%	597
3/31/06	2,555,000		2,555,000	0.31%	512
3/31/07	2,235,000		2,235,000	0.27%	431

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

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

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

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
MARCH 31, 2007**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	\$ 57,860,000	3.24%	\$ 1,874,664
Debt repaid with property taxes: School District	290,640,000	3.24%	<u>9,416,736</u>
Subtotal, overlapping debt			11,291,400
Town of Surfside Beach Direct Debt			<u>2,235,000</u>
Total Direct and Overlapping Debt			<u>\$ 13,526,400</u>

Source: Assessed value data used to estimate applicable percentages provided by the Horry County Treasurer's Office. Debt outstanding provided by the Finance Departments of Horry County and the Horry County School District. Data for overlapping jurisdictions reports amounts outstanding at June 30, 2006.

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

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

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt Limit	\$ 3,864,266	\$ 3,738,227	\$ 2,930,416	\$ 2,803,349	\$ 2,735,566	\$ 2,751,883	\$ 2,719,673	\$ 2,589,650	\$ 1,988,568	\$ 1,928,869
Total Net Debt Applicable to Limit	605,649	621,630	637,112	652,095	560,330	526,467	562,496	597,055	608,043	618,782
Legal Debt Margin	\$ 3,258,617	\$ 3,116,597	\$ 2,293,304	\$ 2,151,254	\$ 2,175,236	\$ 2,225,416	\$ 2,157,177	\$ 1,992,595	\$ 1,380,525	\$ 1,310,087
Total net debt applicable to the limit as a percentage of debt limit	15.67%	16.63%	21.74%	23.26%	20.48%	19.13%	20.68%	23.06%	30.58%	32.08%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 48,076,481
Exempt Merchants Inventory (1987 Valuation)	226,850
Total	<u>48,303,331</u>
Debt limit (8% of total assessed value)	3,864,266
Debt applicable to limit:	
General obligation bonds	2,235,000
Bonds issued under referendum	(1,629,351)
Total net debt applicable to limit	<u>605,649</u>
Legal debt margin	<u>\$ 3,258,617</u>

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

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (1) (amounts expressed in thousands)	Per Capital Personal Income (1)	Median Age (1)	School Enrollment (1)	Unemployment Rate (2)
3/31/98	4,750	\$ Unavailable	Unavailable	Unavailable	Unavailable	4.40%
3/31/99	4,916	Unavailable	Unavailable	Unavailable	Unavailable	3.60%
3/31/00	5,081	Unavailable	Unavailable	Unavailable	Unavailable	3.60%
3/31/01	4,425	108,169	24,445	44.5	680	3.50%
3/31/02	4,451	108,169	24,302	44.5	680	4.90%
3/31/03	4,496	108,169	24,059	44.5	680	5.10%
3/31/04	4,630	108,169	23,363	44.5	680	5.60%
3/31/05	4,795	108,169	22,559	44.5	680	5.70%
3/31/06	4,986	108,169	21,695	44.5	680	5.50%
3/31/07	5,185	108,169	20,862	44.5	680	Unavailable

(1) U.S. Census Bureau, 2000 Census. Population amounts for 1998 - 2000 and 2002 - 2007 are calculated using growth rates of the previous years.

(2) U.S. Department of Labor. Unemployment rates are based on the County as a whole. Information is not available individually for the Town.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**PRINCIPAL EMPLOYERS
Current and Nine Years Ago**

Employer	2007			1998		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Lodgian Hotels	105	1	Unavailable	Unavailable	1	Unavailable
BiLo	98	2	Unavailable	Unavailable	2	Unavailable
Crabby Mike's	90	3	Unavailable	Unavailable	3	Unavailable
Town of Surfside Beach	78	4	Unavailable	Unavailable	4	Unavailable
Piggly Wiggly	74	5	Unavailable	Unavailable	5	Unavailable
Onstage Entertainment	70	6	Unavailable	Unavailable	6	Unavailable
Surfside Realty Co, Inc.	66	7	Unavailable	Unavailable	7	Unavailable
Days Inn Surfside Beach	62	8	Unavailable	Unavailable	8	Unavailable
Original Benjamin's Calabash	45	9	Unavailable	Unavailable	9	Unavailable
Lanes's Pest Elimination	44	10	Unavailable	Unavailable	10	Unavailable
	<u>732</u>		<u>Unavailable</u>	<u>Unavailable</u>		<u>Unavailable</u>

Source: Finance department and each employer.

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
FULL TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of March 31									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Government	12	11	11	12	10	10	11	10	9	8
Public Safety										
Police										
Officers	20	20	20	15	15	14	14	13	10	12
Communications/Office	7	7	5	6	6	6	5	5	5	5
Fire										
Firefighters and Officers	5	5	5	5	6	6	6	5	5	5
Building and Zoning	4	5	5	4	3	3	3	3	3	2
Public Works										
Streets	11	10	10	10	10	11	10	10	10	10
Vehicle Maintenance	2	2	2	2	2	2	3	3	2	2
Culture and Recreation	5	6	6	6	6	6	6	6	5	5
Sanitation	12	12	12	11	11	11	9	8	8	8
Total	78	78	76	71	69	69	67	63	57	57

Source: Town budget.

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police										
Physical arrests	310	750	517	527	588	685	869	649	337	328
Parking violations	2,168	2,673	Unavailable							
Traffic violations	1,794	3,435	2,352	1,910	1,780	2,498	3,077	2,698	2,070	1,737
Fire										
Number of calls answered	514	663	609	656	638	586	533	413	546	447
Building and Zoning										
New construction permits	84	115	87	130	71	59	73	79	121	78
Culture and Recreation										
Events held	20	19	13	12	11	13	11	Unavailable	Unavailable	Unavailable
Sanitation										
Refuse collected (tons)	7,715	7,435	7,350	7,109	6,681	6,459	Unavailable	Unavailable	Unavailable	Unavailable
Recyclables collected	300	308	312	307	300	268	Unavailable	Unavailable	Unavailable	Unavailable

Source: Various government departments.

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	14	14	14	14	14	14	13	13
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	39	36	34	34	34	33	33	33	30	30
Streetlights	518	518	492	492	492	452	452	414	414	414
Traffic signals	3	3	3	3	3	3	3	3	3	3
Culture and Recreation										
Parks acreage	30	30	30	30	30	30	30	30	30	30
Parks	5	5	5	5	5	5	4	4	4	4
Tennis courts	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	2	2	2	2	2	2	2	2
Sanitation										
Collection trucks	9	8	8	7	7	6	6	6	5	5

Source: Various government departments.

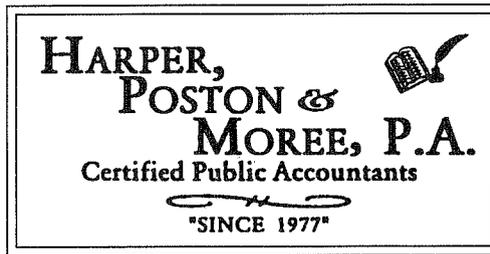
Note: No capital asset indicators are available for the general government function.

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**INDEPENDENT AUDITORS' OTHER
REPORT SECTION**





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

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

We have audited the financial statements of the governmental activities, the business-type 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, 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

prevented or detected by the Town's internal control. We consider the deficiencies 07-B1, 07-B2, and 07-B3, described in the accompanying schedule of findings and responses, to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance And Other Matters

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

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

This report is intended solely for the information and use of management, others within the 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
September 26, 2007

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2007

A. Summary of Audit Results

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

B. Findings - Financial Statement Audit

07-B1 Financial Statement Preparation

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

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

Cause: Town personnel do not possess the technical skills necessary to prepare the financial statements and related note disclosures.

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

Recommendation: Management should take steps toward gaining the experience needed to prepare financial statements presented in accordance with generally accepted accounting principles.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2007

B. Findings - Financial Statement Audit (continued)

07-B1 Financial Statement Preparation (continued)

Management's Response: Town management was in a transition period during this year's audit. Although we did not prepare the financial statements, we reviewed and approved them prior to issuance to ensure every possible step was taken to detect misstatements. Town management will make every attempt to correct this deficiency.

07-B2 Capital Assets

Control Deficiency: Capital asset transactions are not properly reported on the capital assets inventory and reconciled to the accounting records.

Criteria: Accurate subsidiary schedules are an important management tool in maintaining control over capital assets.

Cause: Staff error.

Effect: Improper valuation resulting in a misstatement of capital assets and related depreciation.

Recommendation: Management should perform reconciliations between the capital assets inventory, construction in progress activity, and the accounting records to ensure transactions are correctly accounted for. Staff may consider consulting with an outside party when unusual transactions are encountered.

Management's Response: The Town has addressed this deficiency and will perform reconciliations to ensure transactions are correctly accounted for.

07-B3 Grant Revenues

Control Deficiency: Grant revenues are not correctly recognized in the financial statements.

Criteria: Proceeds received for "expenditure-driven" grants should be recognized as revenues in the period in which all eligibility requirements of the grant have been met and the revenues are available to the Town.

Cause: Staff error.

Effect: Risk of financial statement misstatement due to improper revenue recognition of grant revenues.

Recommendation: Management should maintain activity reports that track the status of grant expenditures and reconcile them to the general ledger.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2007

B. Findings - Financial Statement Audit (continued)

07-B3 Grant Revenues (continued)

Management's Response: The Town's grant function has been placed under the responsibility of the Town Administrator. The Administrator will keep the finance department apprised of grant status.

C. Findings - Federal Award Program Audit

Not applicable.