

Town of Surfside Beach

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

Comprehensive Annual Financial Report

For The Fifteen Month Fiscal Period Ended

June 30, 2010



Surfside Beach, South Carolina

Dedicated people providing quality and responsive service to our community.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FIFTEEN MONTHS ENDED JUNE 30, 2010

Prepared By:

Finance Department

Kimberly Hursey, Finance Officer



INTRODUCTORY SECTION



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Fifteen Months Ended June 30, 2010**

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**PRINCIPAL OFFICIALS
June 30, 2010**

ELECTED

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

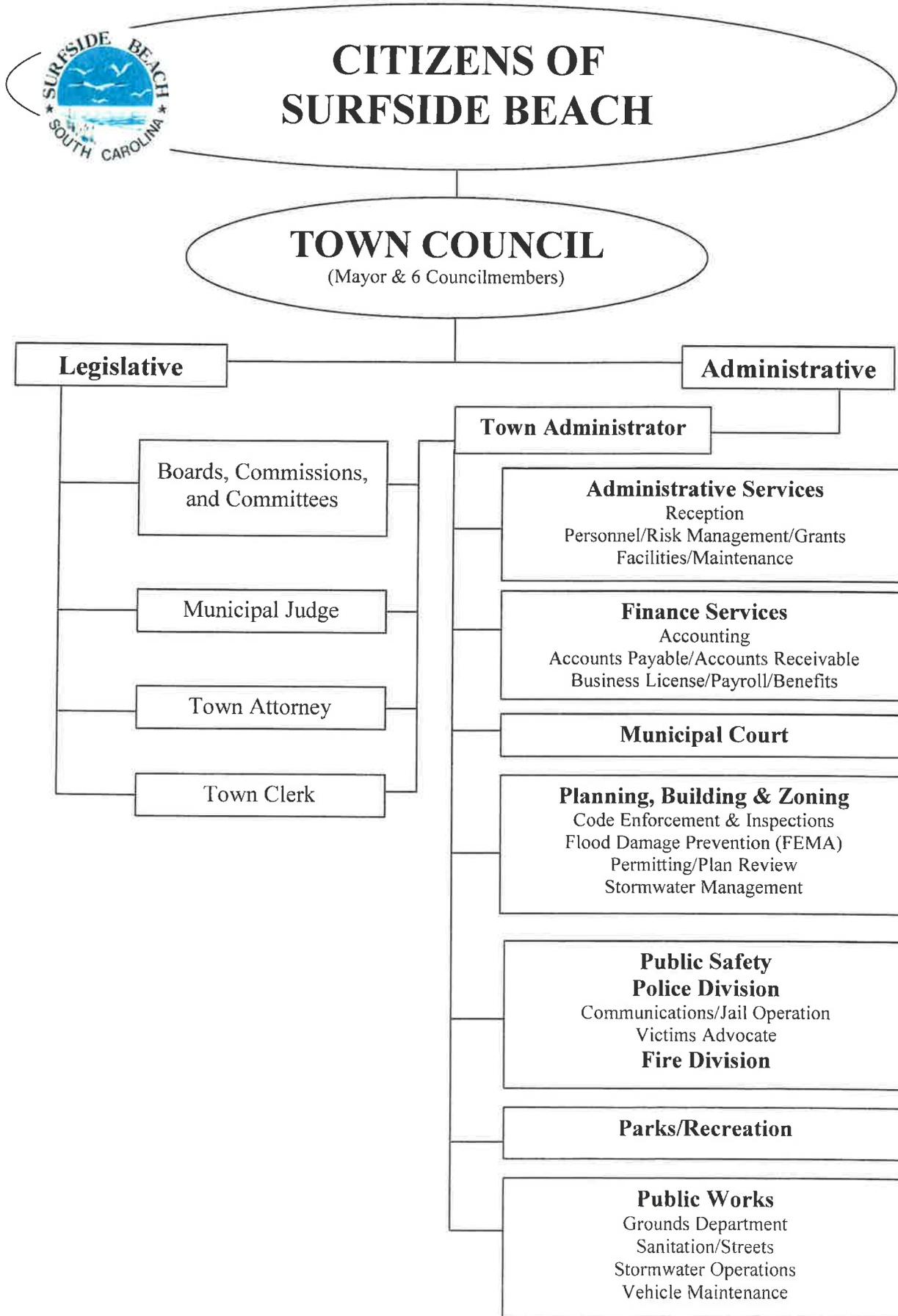
APPOINTED

Interim Town Administrator Micki Fellner
Finance Officer Kimberly Hursey
Town Clerk Sharon Pinnell
Public Safety Director Andy Christenson
Planning, Building and Zoning Director Jackie Donevant
Public Works Director John Adair

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

ORGANIZATIONAL CHART

June 30, 2010



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

December 20, 2010

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 fifteen months ended June 30, 2010, is hereby submitted for your review and information and to meet the requirements of South Carolina Law.

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

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

Harper, Poston, & Moree, P.A., Certified Public Accountants, have issued an unqualified opinion on the Town of Surfside Beach's financial statements for the fifteen months ended June 30, 2010. The independent auditor's report is located at the front of the financial statement section of this report.

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

Profile of the Government

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

Dedicated people providing quality and responsive service to our community.

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printed on recycled paper

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

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

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 and cultural activities.

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

Local Economy

The Town of Surfside Beach has grown dramatically since incorporation. 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, fishing piers, amusement and water parks, and many other attractions. The area supports numerous live entertainment theaters that feature various musical artists, comedians, and Broadway-type shows. The Town currently has three major hotels, 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 42% of total expenditures as the demand for service increases.

Business license and building permit revenue have been a significant revenue source over the past ten years due to a growing population, the Municipal Association of South Carolina's tax collection programs and the development of the beach area. Currently, business licensing and permitting have contributed 41% to general fund revenue. The Town Council is committed to promoting new and established businesses in town and looks forward to our downtown redevelopment planned for next year. It is expected that our local economy will continue to support our local businesses, restaurants, property development and new rental properties, which will sustain business license and building permit revenues.

Long-Term Financial Planning

Unreserved, undesignated fund balance in the general fund stands at 23% of total general fund revenues. Town Council has not set a policy guideline for budgetary and planning purposes. Last year the Town Council approved an advance from its general fund to its newly formed enterprise fund, the Surfside Beach Fishing Pier. The Pier enterprise will continue to repay the general fund a principal payment plus interest over the next nine years. The Town has elected to do this rather than incur debt. The Town Council has decided to construct and maintain the Town's stormwater infrastructure without incurring additional debt. A 5 mill tax levy for stormwater improvements and maintenance has been used to fund such projects. Town Council has approved the continuation of the stormwater millage, which has a sunset provision and will end in 2012.

Relevant Financial Policies

The Town's investment policy is to minimize risks while maintaining a competitive yield on its funds; accordingly, cash available for investing during the period 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. A separate policy is held with Moore and Associates of Surfside and underwritten by Lloyd’s of London for the Town’s fishing pier. Employee benefits such as workers compensation and medical, dental, vision, and life insurance coverage are provided through contracts with the South Carolina Municipal Insurance Trust, the Blue Choice Health Plan and Guardian. Unemployment coverage is through the South Carolina Employment Security Commission. The Town does not offer any post-retirement employee benefits.

Major Initiatives – Year in Review

The Town of Surfside Beach has completed its transition to a new fiscal period. The current period’s budget covered a fifteen-month term; while we transitioned our year-end to June 30th. Our new fiscal period will be July 1st to June 30th. It was a challenge but the town finished strongly as these financial statements will show.

The Town remains committed to providing quality services, parks, recreation, amenities, and events to its citizens and friends. To this end, in addition to our fireworks display on the 4th of July; we added additional parks, amenities, and events this past year. In addition, we completed the Yaupon parking lot project which will serve as a standard for future town improvements. We also added two new parking pay stations at our pier parking lot that accept paper currency as well as coins and credit cards. We commissioned a mural on the east wall of the Borgata building on the corner of Surfside Drive and Poplar with permission from the owner. The artist was Tommy Simpson whose use of retro-postcard art successfully captured the feeling of a seaside resort. We completed a walking trail and added exercise kiosks and a new dog park to our Passive Park with the help from grants provided by South Carolina Parks, Recreation and Tourism Commission and Palmetto Pride. The dog park which we have named; Puppy Palladium, has areas for both large and small canines, as well as water fountains for both pets and humans and benches from which pet owners and visitors can observe either park. In addition, we held our first Bar-b-que and Blue Grass Festival in February and despite the date, the weather was favorable and the event was a huge success.

The Town of Surfside Beach purchased the Surfside Beach fishing pier and properties last year and this year we concentrated on much needed repairs and maintenance improvements including the installation of ramp handrails and the replacement of benches and decking on the pier. This investment ensures that the Surfside Beach Pier will remain a focal point for the town and continue to promote tourism. This year we also expanded our annual July 4th Celebration to include a grand fireworks display and it is estimated that over 30,000 people were in attendance. In view of the fact that during the past 15 years over half the piers in the Grand Strand area have been torn down and

replaced with hotels or condominiums we are proud that by purchasing the pier we have succeeded in preserving a small piece of history.

The Town of Surfside Beach continues to provide stormwater relief and education to its citizens. This year the Town finished the final stage of lake-dredging projects with the completion of Palmetto Lake. The Town's Grounds Department continues to maintain the lakes to enhance the quality of life for the citizens and those who visit the Town of Surfside Beach.

Major Initiatives for the Future

The Town continues to provide both essential and recreational facilities for its citizens and friends. The fire station is nearly complete with just the finishing touches planned for early next year and the official opening is scheduled for October 2010. The project was entirely funded with the use of Hospitality Funds. One of our planned projects for next year is the relocation and build-out of a new Skateboard Park. This park will be located in the Town Hall complex. Although planned for this year we look forward to completing the 4th Avenue beach crossover in the fall of 2010. The Town will add yet another park with the completion of an LWCF land conversion. The new park will be named North Poplar Park, will be passive in nature and will be located on the corner of Surfside Drive and Poplar Drive. At the same time we will begin our much needed improvements to the Surfside Drive business district. The Surfside Drive Streetscape project will concentrate on the west end of Surfside Drive from Poplar to the Highway 17 intersection. All of these projects will greatly enhance the quality of life for both citizens and visitors.

The Town continues to use road fees, collected from vehicle taxes and other Horry County Transportation Committee funds dispersed from state gas tax, for paving roads, sidewalks, and other street-related improvements. Projects for the coming year include the replacement of the 10th Avenue culvert, paving a half mile of Dogwood Drive, portions of 10th and 11th Avenue North, and also continuing our sidewalk expansion throughout the town.

The Town has also completed its lake-dredging projects and will begin the lake enhancement projects phase with the continued use of the 5 mil tax levy designated for storm water. The first project will be the Floral Lake Enhancement which includes an observation deck, aerators and fountains, some with lights. Water quality and stormwater education continue to be a focus of our NDPES compliance. We will renew our contract with Coastal Carolina University and add a third site for water quality testing. These enhancements will not only improve the aesthetics of the lakes but they will also serve to promote leisure activities such as fishing.

In addition, the Town will finalize its 5-year comprehensive plan next year with the assistance of the Waccamaw Regional Council of Governments. The next stage in the planning phase will be updating the land development ordinances.

Meanwhile, the Surfside Beach fishing pier will continue to be a focal point for our town. We plan to finish replacing the decking and begin replacement of bolts and pilings. The Town looks forward to our 2nd annual Fireworks and July 4th Celebration and we anticipate attendance will be approximately 50,000 people.

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

Awards and Acknowledgments

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

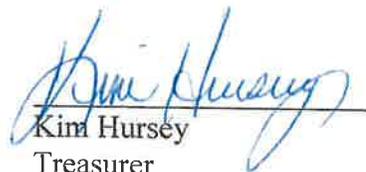
The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Surfside Beach for its comprehensive annual financial report for the fiscal year ended March 31, 2009, which was the twenty-first consecutive year the town received the award. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the Town's auditing firm; Harper, Poston, & Moree, P.A., the Town's Finance Department, as well as the Town's department directors and staff. Each department member has our sincere appreciation for contributions made in the preparation of this report. We also extend a thank you to Surfside Beach Town Council for its support.

Respectfully Submitted,



Micki Fellner
Town Administrator



Kim Hursey
Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Surfside Beach
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
March 31, 2009

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.



A stylized handwritten signature in black ink.

President

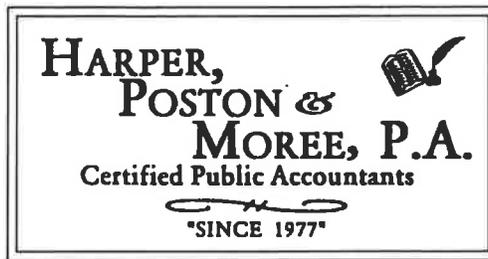
A handwritten signature in black ink that reads "Jeffrey R. Emmer".

Executive Director



FINANCIAL SECTION





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Tel (843) 527-3413
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina, as of and for the fifteen months ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina, as of June 30, 2010, and the respective changes in financial position and, cash flows, where applicable, thereof for the fifteen months 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 December 20, 2010, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 45-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Harper, Poston & Moree, P.A.

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

Pawleys Island, South Carolina
December 20, 2010

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fifteen Months Ended June 30, 2010**

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 fifteen months ended June 30, 2010. Please read it in conjunction with the transmittal letter on page v and the Town's financial statements, which begin on page 12.

Financial Highlights

- The Town changed its fiscal reporting period from March 31 to June 30. The amounts provided in these financial statements for the fiscal period ended June 30, 2010 include fifteen months.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal period by \$17,955,553 (net assets). Of this amount, \$3,538,886 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$1,797,852. This is a result of an increase in net assets of our business-type activities of \$383,512, and an increase in net assets of our governmental activities of \$1,414,340.
- The Town's total revenues amounted to \$10,761,755 during the fifteen months ended June 30, 2010. Revenues and transfers of governmental activities totaled \$8,966,431, and revenues and transfers of our business-type activities were \$1,795,324.
- During the fifteen months ended June 30, 2010, the Town's total expenses amounted to \$8,963,903. Expenses of governmental activities totaled \$7,552,091, and expenses of our business-type activities were \$1,411,812.
- At June 30, 2010, the Town's governmental funds reported combined fund balances of \$4,915,243, a decrease of \$1,266,369 in comparison to the prior year.
- There was an increase in the Town's investment in capital assets for the current fiscal period of \$2,401,920 for governmental activities and a decrease of \$24,778 for our business-type activities.
- At June 30, 2010, the Town had \$1,190,000 in outstanding general obligation bonds compared to \$1,560,000 last year, a decrease of 23.72%.

Using This Annual Report

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

Reporting the Town as a Whole

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

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

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

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

Reporting the Town's Funds

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

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

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

The Town as an Agent

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information beginning on page 45. An individual fund statement and other supplementary information can be found on pages 50 - 54.

The Town as a Whole

Condensed statements of net assets at June 30, 2010 and March 31, 2009 are shown below.

THE TOWN'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 5,589,569	\$ 6,729,948	\$ (748,311)	\$(1,181,852)	\$ 4,841,258	\$ 5,548,096
Capital Assets (Net)	<u>12,113,217</u>	<u>9,711,297</u>	<u>3,078,498</u>	<u>3,103,276</u>	<u>15,191,715</u>	<u>12,814,573</u>
Total Assets	<u>\$17,702,786</u>	<u>\$16,441,245</u>	<u>\$ 2,330,187</u>	<u>\$ 1,921,424</u>	<u>\$20,032,973</u>	<u>\$18,362,669</u>
Long-Term Liabilities	\$ 935,680	\$ 1,278,302	\$ 23,321	\$ 15,463	\$ 959,001	\$ 1,293,765
Other Liabilities	<u>1,034,696</u>	<u>871,118</u>	<u>83,723</u>	<u>66,330</u>	<u>1,118,419</u>	<u>937,448</u>
Total Liabilities	<u>\$ 1,970,376</u>	<u>\$ 2,149,420</u>	<u>\$ 107,044</u>	<u>\$ 81,793</u>	<u>\$ 2,077,420</u>	<u>\$ 2,231,213</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	\$10,932,103	\$ 8,196,888	\$ 3,078,498	\$ 3,103,276	\$14,010,601	\$11,300,164
Restricted	406,066	1,867,568			406,066	1,867,568
Unrestricted	<u>4,394,241</u>	<u>4,227,369</u>	<u>(855,355)</u>	<u>(1,263,645)</u>	<u>3,538,886</u>	<u>2,963,724</u>
Total Net Assets	<u>\$15,732,410</u>	<u>\$14,291,825</u>	<u>\$ 2,223,143</u>	<u>\$ 1,839,631</u>	<u>\$17,955,553</u>	<u>\$16,131,456</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined net assets at June 30, 2010 were \$17,955,553, an increase of \$1,797,852, or 11.1%, from our last fiscal year end or fifteen months ago. This is mainly attributable to the construction of our Fire Station; Construction in Progress was \$2,523,121 at year end.

A portion of the Town's net assets, currently 78%, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, currently 2.3%, 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 \$3,538,886 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 period, the Town is able to report positive balances in all categories of net assets, for governmental activities.

Changes in the Town's net assets during the periods ended June 30, 2010 and March 31, 2009 follow.

THE TOWN'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 741,783	\$ 620,857	\$ 1,857,622	\$ 1,233,957	\$ 2,599,405	\$ 1,854,814
Operating Grants and Contributions	207,765	212,262			207,765	212,262
Capital Grants and Contributions	303,818	197,101			303,818	197,101
General Revenues:						
Property Taxes	2,437,909	2,316,688			2,437,909	2,316,688
Local Accommodations Taxes	159,761	139,549			159,761	139,549
Business License Taxes	2,628,551	1,455,823			2,628,551	1,455,823
Franchise Taxes	745,808	526,406			745,808	526,406
Hospitality Fees	804,000	669,304			804,000	669,304
Grants and Contributions not Restricted to Specific Programs	811,567	759,823			811,567	759,823
Investment Earnings	53,572	122,639	202	541	53,774	123,180
Gain on Disposal of Capital Assets		6,717		588		7,305
Other General Revenues	9,397	4,634			9,397	4,634
Total Revenues	<u>\$ 8,903,931</u>	<u>\$ 7,031,803</u>	<u>\$ 1,857,824</u>	<u>\$ 1,235,086</u>	<u>\$10,761,755</u>	<u>\$ 8,266,889</u>
Expenses:						
General Government	\$ 1,936,037	\$ 1,487,967	\$	\$	\$ 1,936,037	\$ 1,487,967
Public Safety	3,189,927	2,460,933			3,189,927	2,460,933
Building and Zoning Grounds	322,102	244,152			322,102	244,152
Street	485,100				485,100	
	1,072,451	1,111,069			1,072,451	1,111,069

THE TOWN'S CHANGES IN NET ASSETS (continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Culture and Recreation	476,660	558,936			476,660	558,936
Interest and Fiscal Charges	69,814	66,482			69,814	66,482
Sanitation			1,228,154	962,936	1,228,154	962,936
Pier			183,658	107,370	183,658	107,370
Total Expenses	<u>\$ 7,552,091</u>	<u>\$ 5,929,539</u>	<u>\$ 1,411,812</u>	<u>\$ 1,070,306</u>	<u>\$ 8,963,903</u>	<u>\$ 6,999,845</u>
Increase in Net Assets Before Transfers	\$ 1,351,840	\$ 1,102,264	\$ 446,012	\$ 164,780	\$ 1,797,852	\$ 1,267,044
Transfers	<u>62,500</u>	<u>(830,000)</u>	<u>(62,500)</u>	<u>830,000</u>		
Increase in Net Assets	<u>1,414,340</u>	<u>272,264</u>	<u>383,512</u>	<u>994,780</u>	<u>1,797,852</u>	<u>1,267,044</u>
Net Assets – Beginning	\$14,291,825	\$14,019,561	\$ 1,839,631	\$ 844,851	\$16,131,456	\$14,864,412
Adjustment to Beginning Net Assets (Note 16)	<u>\$ 26,245</u>				<u>\$ 26,245</u>	
Net Assets - Ending	<u>\$15,732,410</u>	<u>\$14,291,825</u>	<u>\$ 2,223,143</u>	<u>\$ 1,839,631</u>	<u>\$17,955,553</u>	<u>\$16,131,456</u>

The Town's total revenues amounted to \$10,761,755 for the fifteen months ended June 30, 2010. This is an increase of \$2,494,866, or 30.2%. The total cost of all programs and services was \$8,963,903 increasing by \$1,964,058, or 28.1%. These percentages were anticipated due to the extended fifteen month fiscal period. The adjustment to Net Assets - Beginning for the period ended June 30, 2010 was due to a difference in property taxes in Horry County's records verses the Town's records. This has been corrected going forward and additional information is available in Note 16 of the Notes to Financial Statements.

Governmental Activities

The Town's net assets from governmental activities increased \$1,414,340, accounting for 78.7% 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 \$4,227,369 at March 31, 2009 to \$4,394,241 for the fifteen months ended June 30, 2010.

The Town's programs for governmental activities include general government, public safety, building and zoning, grounds, street, culture and recreation, and interest and fiscal charges. Total revenues from the Town's governmental activities increased by 26.7% or \$1,872,128, and total expenditures increased 27.4% or \$1,622,552. The increased revenues were mainly attributable to business license taxes, which increased \$1,172,728; this was due to a second cycle of business license renewals for the fifteen month period. Business license renewal applications are processed annually and are due June 1st of each year. For the period end June 30, 2010 the Town captured two renewal periods. The expenditures of the following operating programs increased by a total of \$1,255,014: general government, public safety and building and zoning. Overall the increases were attributable to the fifteen month period and an additional staff position that was added during the period. Additionally, the Town has decided to present its Grounds department on its own for the first time; previously this department was reported in Culture and Recreation.

The cost of all governmental activities this year was \$7,552,091. However, as shown in the statement of activities beginning on page 13, the amount that our taxpayers ultimately financed for these activities was only \$6,298,725 because some of the cost was paid by those who directly benefited from the programs (\$741,783) or

by other governments and organizations that subsidized certain programs with grants and contributions (\$511,583). Overall, the Town's governmental program revenues were \$1,253,366. The Town paid for the remaining "public benefit" portion of governmental activities with general revenues and transfers from the business-type activities, some of which could only be used for certain programs, totaling \$7,713,065.

Business-Type Activities

The Town's business-type activities relate to the provision of sanitation collection services to the residents and businesses of the Town and the Surfside Beach fishing pier and properties which the Town purchased last year. The Town's net assets from our business-type activities increased \$383,512, which accounts for 21.3% of the total increase in the Town's net assets. The change in net assets is mainly attributable to the fifteen month fiscal period and a full fifteen months reporting from the fishing pier and properties. Total revenue from the Town's business-type activities increased by 50.5%, or \$622,738 for the fifteen months ended June 30, 2010.

The cost of our business-type activities this year was \$1,411,812. As shown in the statement of activities which starts on page 13, the amounts paid by users was \$1,857,622, investment earnings were \$202, and transfers totaled (\$62,500).

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 period, the Town's governmental funds reported combined fund balances of \$4,915,243, a decrease of (\$1,266,369) in comparison with the prior year. Approximately 72.2% of this total (\$3,546,032) 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 period, unreserved fund balance of the General Fund was \$3,206,617, while the total general fund balance amounted to \$4,563,328. The General Fund's fund balance increased by \$224,174 during the current period. The increase is directly attributable to other financing sources of transfers from the State Accommodations and Local Hospitality Funds. The Town received \$139,943 from Santee Cooper as reimbursement for an underground utilities project associated with the construction of the new Fire Station.

In the Accommodations Tax Fund, fund balance decreased by \$2,865 to \$15,721 at period end. The decrease in fund balance is directly attributable to lower than anticipated State Accommodations Taxes received during the period. Approximately 79.5% of total fund balance is reserved for prepaid items (\$12,500). The remaining fund balance was unreserved and undesignated at period end.

Total fund balance of the Hospitality Fund was \$189,954 at June 30, 2010, a decrease of (\$1,622,873) from the prior year. The decrease is directly attributable to the construction of a fire station. The Town has chosen to finance the construction of the station from the undesignated portion of the fund balance of its Hospitality Fund. Of the remaining total, Town Council has designated \$1,538 for the veteran's memorial and \$188,416 for parking, land and other capital improvements.

The Local Accommodations Tax Fund, fund balance increased by \$12 to \$7,605 at June 30, 2010.

The Capital Projects Fund has a fund balance of \$138,635 at period end, an increase of \$135,183 from the prior year. The increase is attributable to the delay in a lake enhancement project that was planned for this reporting period. Town Council has designated the entire fund balance for storm water management, maintenance and improvement projects.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Town's Sanitation Fund at period end amounted to \$561,310. The increase in net assets of the Sanitation Fund was \$165,831; this is directly attributable to operating income of \$228,198. Unrestricted net assets of the Town's Pier Fund at period end amounted to (\$1,370,204). Although the total net assets of this fund were \$1,112,114, the Pier fund has an advance due to the General Fund of \$1,304,000, which was used to finance the purchase of the pier and pier properties. The increase in net assets of the Pier Fund was \$264,142; this is directly attributable to operating income of \$301,889. The increase in operating income was mainly attributable to the sale of fishing passes for the pier and increased parking meter collection.

General Fund Budgetary Highlights

The original budget was amended during the fifteen month period. Revenues available for appropriation were \$1,001,955 above the budgeted amounts. The most significant positive variances are directly attributable to the extended fifteen month fiscal period. The major revenue classes affected were licenses and permits \$288,419; property taxes \$258,006, intergovernmental \$245,918 and franchise fees \$155,058. The actual charges to appropriations (expenditures) were \$16,255 under the budgeted amounts.

During the fiscal period, there was an increase in appropriations of \$755,645 between the original and final budget. The main components of this increase are outlined as follows: (\$468,409) was for adjustments to salaries and benefits due to unanticipated staffing levels and the impact of the fifteen month fiscal period, (\$124,000) was for underground wiring associated with the fire station construction project.

Budget to actual comparisons for the General Fund can be found on page 45.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounted to \$15,191,715 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, machinery, equipment, vehicles and infrastructure, and construction in progress. The total increase in the Town's investment in capital assets for the current fiscal year was \$2,401,920 or 24.8%, for governmental activities and a decrease of (\$24,778) or (1%), for our business-type activities.

A schedule of the Town's capital assets (net of accumulated depreciation) for the periods ended June 30, 2010 and March 31, 2009 follows:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 2,281,527	\$ 2,281,527	\$ 1,508,771	\$ 1,508,771	\$ 3,790,298	\$ 3,790,298
Land Improvements	592,361	377,453			592,361	377,453
Buildings and Improvements	869,053	936,245	939,986	1,006,320	1,809,039	1,942,565
Machinery, Equipment and Vehicles	1,189,511	1,275,343	597,362	588,185	1,786,873	1,863,528
Infrastructure	4,657,644	4,554,373			4,657,644	4,554,373
Construction-in-Progress	<u>2,523,121</u>	<u>286,356</u>	<u>32,379</u>		<u>2,555,500</u>	<u>286,356</u>
	<u>\$12,113,217</u>	<u>\$ 9,711,297</u>	<u>\$3,078,498</u>	<u>\$ 3,103,276</u>	<u>\$15,191,715</u>	<u>\$12,814,573</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 period ended June 30, 2010, included the following:

Fire Station – Construction in Progress	\$2,285,838
Yaupon Parking Lot	188,345
Storm Water Improvements Dogwood Bulkhead Project	173,108
2008 Sterling Bullet Mini-Pumper Fire Truck	121,054
Sidewalks Poplar	114,033
2009 Ford Knuckle Boom Truck	104,127
2009 Altman Backhoe/Loader	63,601
Storm Water Improvements – Dredging Palmetto	62,872
Furniture for Fire Station	40,194
Passive Park Walking Trail	29,210
Puppy Palladium – Dog Park	28,285

Debt

At period end, the Town had \$1,190,000 in outstanding general obligation bonds compared to \$1,560,000 last year, a decrease of 24%. The current bond issuance will mature on March 1, 2013.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ 1,190,000	\$ 1,560,000	\$ _____	\$ _____	\$ 1,190,000	\$ 1,560,000
Total Long-Term Debt	<u>\$ 1,190,000</u>	<u>\$ 1,560,000</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1,190,000</u>	<u>\$ 1,560,000</u>

The Town maintains a credit rating of Aaa for general obligation bonded debt. Under current state statutes, the Town's general obligation debt issuances are subject to a legal limitation base of 8% of total assessed value. General obligation debt issued pursuant to referendum is not subject to the limitations. As of June 20, 2010, the amount of new debt, which could be issued without referendum, was \$3,789,769.

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 2011 budget, tax rates and fees that will be charged for our business-type activities. This was a reassessment year for our property taxes and the Town had to calculate its rollback millage. The tax mil was rolled back from 44 mils to 40 mils for the 2011 tax year.

Some of the factors that were considered this year were the economy, tourism trends, interest rates, and the cost of fuel and inflation rates. These indicators were taken into account when adopting the General Fund budget for fiscal year 2011. Revenues available for appropriation in the General Fund budget are \$5,358,691, a decrease of \$457,848 or 8% over the final fiscal period 2010 budget of \$5,816,539. The Town was conservative in its revenue estimates due to the economy and its reliance on tourism, the decrease is attributable to the adjustment back to a twelve month fiscal period. Budgeted expenditures are expected to decrease to \$6,165,111 from \$6,808,311 in fiscal year 2011; the decrease of \$643,200 or 9% percent which is attributable to the adjustment back to a twelve month fiscal period. The Town has added no major new programs or initiatives to the fiscal year 2011 general fund budget.

As for the Town's business-type activities, the base rates for sanitation collection service for our residential and commercial customers in town and for our fishing pier for fiscal year 2011 will remain unchanged. Revenues available for appropriation in the Sanitation and Pier Fund budgets are \$1,170,000, and \$350,000 respectively. The Town will use these revenues to finance the sanitation services programs we currently offer and to finance the repairs and maintenance of the fishing pier to the effect that we expect inflation to have on program costs. The Pier Fund revenues will also be used to repay the remaining advance from the Town's General Fund over the next (9) nine years. Budgeted operating expenses of the Sanitation and Pier Funds are \$1,018,757 and \$100,126 respectively in fiscal year 2011.

Contacting the Town's Financial Management

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



BASIC FINANCIAL STATEMENTS



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,436,876	\$ 422,615	\$ 3,859,491
Receivables (Net of Allowance)	668,020	225,996	894,016
Internal Balances	1,396,922	(1,396,922)	
Inventories	3,400		3,400
Prepaid Assets	23,193		23,193
Restricted Cash and Cash Equivalents	39,005		39,005
Land	2,281,527	1,508,771	3,790,298
Construction in Progress	2,523,121	32,379	2,555,500
Other Capital Assets (Net)	7,308,569	1,537,348	8,845,917
Deferred Bond Issuance Costs (Net)	22,153		22,153
Total Assets	\$ 17,702,786	\$ 2,330,187	\$ 20,032,973
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 271,388	\$ 65,329	\$ 336,717
Accrued Salaries	198,009		198,009
Accrued Interest Payable	11,900		11,900
Unearned Revenues	6,224		6,224
Liabilities Payable From Restricted Assets	39,005		39,005
Noncurrent Liabilities:			
Due Within One Year	508,170	18,394	526,564
Due in More Than One Year	935,680	23,321	959,001
Total Liabilities	\$ 1,970,376	\$ 107,044	\$ 2,077,420
NET ASSETS			
Invested In Capital Assets, Net of Related Debt	\$ 10,932,103	\$ 3,078,498	\$ 14,010,601
Restricted For Tourism Promotion and Support	367,448		367,448
Restricted For Drug Enforcement	38,618		38,618
Unrestricted	4,394,241	(855,355)	3,538,886
Total Net Assets	\$ 15,732,410	\$ 2,223,143	\$ 17,955,553

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
Fifteen Months Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,936,037	\$ 165,942	\$ 4,241	\$
Public Safety	3,189,927	337,573	4,506	10,458
Building and Zoning	322,102	177,453		
Grounds	485,100			
Street	1,072,451		139,943	264,285
Culture and Recreation	476,660	60,815	59,075	29,075
Interest and Fiscal Charges	69,814			
Total Governmental Activities	\$ <u>7,552,091</u>	\$ <u>741,783</u>	\$ <u>207,765</u>	\$ <u>303,818</u>
Business-Type Activities:				
Sanitation	\$ 1,228,154	\$ 1,409,891	\$	\$
Pier	183,658	447,731		
Total Business-Type Activities	\$ <u>1,411,812</u>	\$ <u>1,857,622</u>	\$	\$
Total	\$ <u>8,963,903</u>	\$ <u>2,599,405</u>	\$ <u>207,765</u>	\$ <u>303,818</u>

General Revenues:

- Property Taxes
- Local Accommodations Taxes
- Business Licenses Taxes
- Franchise Taxes
- Hospitality Fees
- Grants and Contributions not Restricted to Specific Programs
- Investment Earnings
- Other General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning, As Restated Note 16

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 Activities	Total
\$ (1,765,854)	\$	\$ (1,765,854)
(2,837,390)		(2,837,390)
(144,649)		(144,649)
(485,100)		(485,100)
(668,223)		(668,223)
(327,695)		(327,695)
(69,814)		(69,814)
<u>\$ (6,298,725)</u>	<u>\$</u>	<u>\$ (6,298,725)</u>
\$	\$ 181,737	\$ 181,737
	264,073	264,073
<u>\$</u>	<u>\$ 445,810</u>	<u>\$ 445,810</u>
\$ (6,298,725)	\$ 445,810	\$ (5,852,915)
\$ 2,437,909	\$	\$ 2,437,909
159,761		159,761
2,628,551		2,628,551
745,808		745,808
804,000		804,000
811,567		811,567
53,572	202	53,774
9,397		9,397
62,500	(62,500)	
<u>\$ 7,713,065</u>	<u>\$ (62,298)</u>	<u>\$ 7,650,767</u>
\$ 1,414,340	\$ 383,512	\$ 1,797,852
<u>14,318,070</u>	<u>1,839,631</u>	<u>16,157,701</u>
<u>\$ 15,732,410</u>	<u>\$ 2,223,143</u>	<u>\$ 17,955,553</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General Fund</u>	<u>Accommodations Tax Fund</u>	<u>Hospitality Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,035,227	\$ 9,435	\$ 250,832
Receivables (Net):			
Property Taxes	102,252		
Hospitality Fees			99,536
Local Accommodations Taxes			
Business Licenses	33,590		
Intergovernmental	299,547	104,238	5,544
Other	511		
Due From Other Funds	200,629		
Inventories	3,400		
Prepaid Assets	10,693	12,500	
Advances To Other Funds	1,304,000		
Restricted Cash and Cash Equivalents	<u>39,005</u>		
Total Assets	<u>\$ 5,028,854</u>	<u>\$ 126,173</u>	<u>\$ 355,912</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>
\$	\$ 141,382	\$ 3,436,876
		102,252
		99,536
22,802		22,802
		33,590
		409,329
		511
		200,629
		3,400
		23,193
		1,304,000
		39,005
<u>\$ 22,802</u>	<u>\$ 141,382</u>	<u>\$ 5,675,123</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Accommodations Tax Fund	Hospitality Fund
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 137,426	\$ 44,458	\$ 86,757
Accrued Salaries	198,009		
Compensated Absences Payable	12,413		
Due To Other Funds		65,994	72,977
Payable From Restricted Assets:			
Bail Bonds	25,990		
Drug Funds	12,415		
Other Deposits Held	600		
Deferred Revenue	78,673		6,224
Total Liabilities	\$ 465,526	\$ 110,452	\$ 165,958
Fund Balances:			
Reserved for:			
Inventories	\$ 3,400	\$	\$
Prepaid Assets	10,693	12,500	
Drug Enforcement	38,618		
Advances	1,304,000		
Unreserved, Reported in:			
General Fund:			
Designated for Capital Replacements	679,416		
Designated for Cash Flow Requirements	300,000		
Designated for Emergencies	100,000		
Designated for Street Improvements	554,545		
Undesignated	1,572,656		
Special Revenue Funds:			
Designated for Veterans Memorial			1,538
Designated for Land			188,416
Undesignated		3,221	
Capital Projects Fund:			
Designated for Storm Water Projects			
Total Fund Balances	\$ 4,563,328	\$ 15,721	\$ 189,954
Total Liabilities and Fund Balances	\$ 5,028,854	\$ 126,173	\$ 355,912

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

<u>Local Accommodations Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$	\$ 2,747	\$ 271,388
		198,009
		12,413
15,197		154,168
		25,990
		12,415
		600
		84,897
<u>\$ 15,197</u>	<u>\$ 2,747</u>	<u>\$ 759,880</u>
\$	\$	\$ 3,400
		23,193
		38,618
		1,304,000
		679,416
		300,000
		100,000
		554,545
		1,572,656
		1,538
		188,416
7,605		10,826
	138,635	138,635
<u>\$ 7,605</u>	<u>\$ 138,635</u>	<u>\$ 4,915,243</u>
<u>\$ 22,802</u>	<u>\$ 141,382</u>	<u>\$ 5,675,123</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total Fund Balances - Total Governmental Funds	\$	4,915,243
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.		12,113,217
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		78,673
The vehicle maintenance department is used by management to account for unallocated direct costs that serve multiple functions of the government. This cumulative adjustment allocates a portion of such costs to business-type activities.		46,461
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,421,184)</u>
Net Assets of Governmental Activities	\$	<u>15,732,410</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
Fifteen Months Ended June 30, 2010

	<u>General Fund</u>	<u>Accommodations Tax Fund</u>	<u>Hospitality Fund</u>
REVENUES			
Property Taxes	\$ 2,213,075	\$	\$
Franchise Taxes	745,808		
Hospitality Fees			804,000
Local Accommodations Taxes			
Licenses and Permits	2,808,169		
Fines and Forfeitures	274,998		
Intergovernmental	595,888	545,348	37,988
Other	180,556	10,033	164,009
Total Revenues	<u>\$ 6,818,494</u>	<u>\$ 555,381</u>	<u>\$ 1,005,997</u>
EXPENDITURES			
Current:			
General Government	\$ 1,296,259	\$	\$ 59,090
Public Safety	2,646,664	175,671	93,428
Building and Zoning	318,462		
Grounds	431,735	15,496	
Street	775,937	56,962	
Intragovernmental Maintenance	97,548		
Culture and Recreation	343,982	59,390	27,448
Non-Departmental	160,704	160,002	
Capital Outlay	303,580	41,789	2,531,567
Debt Service:			
Principal	370,000		
Interest	45,875		
Agent Fees	1,310		
Total Expenditures	<u>\$ 6,792,056</u>	<u>\$ 509,310</u>	<u>\$ 2,711,533</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 26,438</u>	<u>\$ 46,071</u>	<u>\$ (1,705,536)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 273,278	\$	\$ 82,663
Transfers Out	(82,663)	(51,017)	
Proceeds From Sale of Capital Assets	7,121	2,081	
Total Other Financing Sources (Uses)	<u>\$ 197,736</u>	<u>\$ (48,936)</u>	<u>\$ 82,663</u>
Net Change in Fund Balances	\$ 224,174	\$ (2,865)	\$ (1,622,873)
Beginning Fund Balance	<u>4,339,154</u>	<u>18,586</u>	<u>1,812,827</u>
Ending Fund Balance	<u>\$ 4,563,328</u>	<u>\$ 15,721</u>	<u>\$ 189,954</u>

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

Local Accommodations Tax Fund	Capital Projects Fund	Total Governmental Funds
\$	\$ 279,894	\$ 2,492,969
		745,808
		804,000
159,761		159,761
		2,808,169
		274,998
	121,697	1,300,921
12	7,801	362,411
<u>\$ 159,773</u>	<u>\$ 409,392</u>	<u>\$ 8,949,037</u>
\$	\$	\$ 1,355,349
		2,915,763
		318,462
	18,762	465,993
	28,818	861,717
		97,548
		430,820
		320,706
	226,629	3,103,565
		370,000
		45,875
		1,310
<u>\$</u>	<u>\$ 274,209</u>	<u>\$ 10,287,108</u>
\$ 159,773	\$ 135,183	\$ (1,338,071)
\$ (159,761)	\$	\$ 355,941
		(293,441)
		9,202
<u>\$ (159,761)</u>	<u>\$</u>	<u>\$ 71,702</u>
\$ 12	\$ 135,183	\$ (1,266,369)
<u>7,593</u>	<u>3,452</u>	<u>6,181,612</u>
<u>\$ 7,605</u>	<u>\$ 138,635</u>	<u>\$ 4,915,243</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
Fifteen Months Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ (1,266,369)

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.	2,413,354
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the capital assets sold.	(21,892)
Contributions of capital assets are reported as revenues in the statement of activities, but are not recognized as revenues in the funds.	10,458
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(55,564)
The vehicle maintenance department is used by management to account for unallocated direct costs that serve multiple government functions. This adjustment allocates a portion of current governmental expenditures to business-type activities.	46,461
Repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	370,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(82,108)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,414,340</u></u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	<u>Sanitation Enterprise Fund</u>	<u>Pier Enterprise Fund</u>	<u>Total Enterprise Funds</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 418,711	\$ 3,904	\$ 422,615
Accounts Receivables (Net)	<u>225,996</u>		<u>225,996</u>
Total Current Assets	<u>\$ 644,707</u>	<u>\$ 3,904</u>	<u>\$ 648,611</u>
Noncurrent Assets:			
Land	\$	\$ 1,508,771	\$ 1,508,771
Construction in Progress		32,379	32,379
Other Capital Assets (Net)	<u>596,180</u>	<u>941,168</u>	<u>1,537,348</u>
Total Noncurrent Assets	<u>\$ 596,180</u>	<u>\$ 2,482,318</u>	<u>\$ 3,078,498</u>
Total Assets	<u>\$ 1,240,887</u>	<u>\$ 2,486,222</u>	<u>\$ 3,727,109</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 41,682	\$ 23,647	\$ 65,329
Due to General Fund		46,461	46,461
Compensated Absences	<u>18,394</u>		<u>18,394</u>
Total Current Liabilities	<u>\$ 60,076</u>	<u>\$ 70,108</u>	<u>\$ 130,184</u>
Noncurrent Liabilities:			
Compensated Absences	\$ 23,321	\$	\$ 23,321
Advances From Other Funds		1,304,000	1,304,000
Total Noncurrent Liabilities	<u>23,321</u>	<u>1,304,000</u>	<u>1,327,321</u>
Total Liabilities	<u>\$ 83,397</u>	<u>\$ 1,374,108</u>	<u>\$ 1,457,505</u>
NET ASSETS			
Invested in Capital Assets	\$ 596,180	\$ 2,482,318	\$ 3,078,498
Unrestricted	<u>561,310</u>	<u>(1,370,204)</u>	<u>(808,894)</u>
Total Net Assets	<u>\$ 1,157,490</u>	<u>\$ 1,112,114</u>	2,269,604
Adjustment to reflect vehicle maintenance allocation from governmental activities.			<u>(46,461)</u>
Net Assets of Business-Type Activities			<u>\$ 2,223,143</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Fifteen Months Ended June 30, 2010

	<u>Sanitation Enterprise Fund</u>	<u>Pier Enterprise Fund</u>	<u>Total Enterprise Funds</u>
OPERATING REVENUES			
Charges for Services	\$ 1,409,891	\$ 447,731	\$ 1,857,622
OPERATING EXPENSES			
Personnel Service and Related Expenses	\$ 560,896	\$ 19,496	\$ 580,392
Maintenance and Service Contracts	431,256		431,256
Materials and Supplies	26,182	4,337	30,519
Repairs and Maintenance	1,630	33,679	35,309
Depreciation	139,838	63,475	203,313
Other Operating Expenses	21,891	24,855	46,746
Total Operating Expenses	<u>\$ 1,181,693</u>	<u>\$ 145,842</u>	<u>\$ 1,327,535</u>
Operating Income (Loss)	<u>\$ 228,198</u>	<u>\$ 301,889</u>	<u>\$ 530,087</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Earnings	\$ 133	\$ 69	\$ 202
Interest Expense		<u>(37,816)</u>	<u>(37,816)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 133</u>	<u>\$ (37,747)</u>	<u>\$ (37,614)</u>
Income (Loss) Before Transfers	\$ 228,331	\$ 264,142	\$ 492,473
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>\$ (62,500)</u>		<u>\$ (62,500)</u>
Total Other Financing Sources (Uses)	<u>\$ (62,500)</u>		<u>\$ (62,500)</u>
Change in Net Assets	\$ 165,831	\$ 264,142	\$ 429,973
Total Net Assets - Beginning	<u>991,659</u>	<u>847,972</u>	
Total Net Assets - Ending	<u>\$ 1,157,490</u>	<u>\$ 1,112,114</u>	
Adjustment to reflect vehicle maintenance allocation from governmental activities.			<u>(46,461)</u>
Change in Net Assets of Business-Type Activities			<u>\$ 383,512</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fifteen Months Ended June 30, 2010

	<u>Sanitation Enterprise Fund</u>	<u>Pier Enterprise Fund</u>	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,369,775	\$ 447,731	\$ 1,817,506
Payments to Suppliers	(468,900)	(208,792)	(677,692)
Payments to Employees	(537,784)	(18,702)	(556,486)
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 363,091</u>	<u>\$ 220,237</u>	<u>\$ 583,328</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	\$ (62,500)	\$ _____	\$ (62,500)
Net Cash and Cash Equivalents (Used) by Noncapital Financing Activities	<u>\$ (62,500)</u>	<u>\$ _____</u>	<u>\$ (62,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	\$ (116,444)	\$ (62,090)	\$ (178,534)
Repayment of Interfund Loan to General Fund	_____	(163,000)	(163,000)
Interest Paid on Interfund Loan to General Fund	_____	(32,600)	(32,600)
Net Cash and Cash Equivalents Provided (Used) by Capital and Related Financing Activities	<u>\$ (116,444)</u>	<u>\$ (257,690)</u>	<u>\$ (374,134)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	\$ 133	\$ 69	\$ 202
Net Cash and Cash Equivalents Provided by Investing Activities	<u>\$ 133</u>	<u>\$ 69</u>	<u>\$ 202</u>
Net Increase in Cash and Cash Equivalents	\$ 184,280	\$ (37,384)	\$ 146,896
Cash and Cash Equivalents - Beginning	<u>234,431</u>	<u>41,288</u>	<u>275,719</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 418,711</u></u>	<u><u>\$ 3,904</u></u>	<u><u>\$ 422,615</u></u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fifteen Months Ended June 30, 2010

	<u>Sanitation Enterprise Fund</u>	<u>Pier Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents Provided by Operating Activities			
Operating Income (Loss)	\$ 228,198	\$ 301,889	\$ 530,087
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Cash Equivalents Provided by Operating Activities:			
Depreciation	139,838	63,475	203,313
(Increase) Decrease in Accounts Receivable (Net)	(40,116)		(40,116)
(Increase) Decrease in Prepaid Assets	2,829		2,829
Increase (Decrease) in Accounts Payable and Accrued Expenses	19,462	(7,092)	12,370
Increase (Decrease) in Compensated Absences	12,880		12,880
Increase (Decrease) in Due to Other Funds		(138,035)	(138,035)
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 363,091</u>	<u>\$ 220,237</u>	<u>\$ 583,328</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
June 30, 2010

ASSETS

Cash and Cash Equivalents	\$ <u>155,690</u>
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LIABILITIES

Due to Town Firemen's Association	\$ <u>155,690</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
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

B. Government-Wide Financial Statements

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

C. Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Fund

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

The Town reports the following major proprietary funds:

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

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

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

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

E. Cash and Investments

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

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

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
June 30, 2010

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 (advances), services provided, reimbursements or transfers.

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

H. Inventories

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

I. Prepaid Assets

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

J. Restricted Assets

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

K. Capital Assets

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

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
June 30, 2010

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

As of April 1, 2009, it is the Town's policy to permit employees to accumulate earned but unused paid time off (PTO) benefits. Unused PTO may be accumulated to a maximum of 640 hours. Upon separation from Town service, an employee is entitled to reimbursement of accumulated PTO hours. PTO pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts are 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
June 30, 2010

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 funds are charges to customers for services/admissions and rentals. Operating expenses include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

The governmental funds balance sheet is followed by a reconciliation between total fund balances - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. The details of the element in the reconciliation that relates to long-term liabilities (\$1,421,184,) follows:

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

Bonds Payable (Net)	\$ (1,181,114)
Compensated Absences	(250,323)
Accrued Interest Payable	(11,900)
Deferred Bond Issuance Costs (Net)	<u>22,153</u>
Total	<u>\$ (1,421,184)</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 (\$2,413,354) is comprised of the following:

Depreciation Expense	\$ (690,210)
Capital Outlay	<u>3,103,564</u>
Total	<u>\$ 2,413,354</u>

Another element of the reconciliation that relates to expenses that do not require the use of current financial resources (\$82,108) is comprised of the following:

Compensated Absences	\$ (59,479)
Accrued Interest	(8,077)
Amortization of Bond Issuance Costs	(10,385)
Amortization of Bond Premium	4,521
Amortization of Loss on Advance Refunding	<u>(8,688)</u>
Total	<u>\$ (82,108)</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 fifteen months ended June 30, 2010, expenditures did not exceed appropriations for any of the Town's individual funds.

B. Deficit Fund Equity

At June 30, 2010, none of the Town's individual funds have fund equity deficits.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 4 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2010, the carrying amount of the Town's deposits with financial institutions was \$2,584,246 and the corresponding bank balance was \$2,642,281. Cash on hand was \$2,875.

Custodial Credit Risk - For deposits, this is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2010, none of the Town's bank balances were exposed to custodial credit risk.

B. Investments

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

As of June 30, 2010, the Town's investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$1,467,065. It is the policy of the State Treasurer that the weighted average maturity of the LGIP portfolio not exceed 60 days. For purposes of financial statement presentation, funds deposited with the SCLGIP are classified as cash and cash equivalents.

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

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

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

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5 - RECEIVABLES

Receivables at June 30, 2010, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>A-Tax Fund</u>	<u>Hospitality Fund</u>	<u>Local A-Tax Fund</u>
Property Taxes	\$ 170,555	\$	\$	\$
Hospitality Fees			99,536	
Local Accommodations Taxes				22,802
Business Licenses	33,590			
Intergovernmental	299,547	104,238	5,544	
Customer Accounts				
Other	<u>511</u>			
	\$ 504,203	\$ 104,238	\$ 105,080	\$ 22,802
Allowance for Doubtful Accounts	<u>(68,303)</u>			
Net Receivables	<u>\$ 435,900</u>	<u>\$ 104,238</u>	<u>\$ 105,080</u>	<u>\$ 22,802</u>

	<u>Sanitation Fund</u>	<u>Totals</u>
Property Taxes	\$	\$ 170,555
Hospitality Fees		99,536
Local Accommodations Taxes		22,802
Business Licenses		33,590
Intergovernmental		409,329
Customer Accounts	227,496	227,496
Other	<u>511</u>	<u>511</u>
	\$ 227,496	\$ 963,819
Allowance for Doubtful Accounts	<u>(1,500)</u>	<u>(69,803)</u>
Net Receivables	<u>\$ 225,996</u>	<u>\$ 894,016</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2010, interfund receivables and payables from interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 200,629	\$
Accommodations Tax Fund		65,994
Hospitality Fund		72,977
Local Accommodations Tax Fund		15,197
Pier Fund		46,461
Total	\$ 200,629	\$ 200,629
	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 1,304,000	\$
Pier Fund		1,304,000
Total	\$ 1,304,000	\$ 1,304,000

The balance due from the Pier Fund to the General Fund represents a long-term loan to finance the purchase of the Surfside Pier. The loan was authorized by Town Council in September of 2008 and is being repaid over a term of ten years in annual installments of \$163,000 plus interest at 2.00%. The amount that the General Fund expects to collect in the subsequent fiscal year is \$184,516 including accrued interest of \$21,516.

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	\$ 273,278	\$ 82,663
Accommodations Tax Fund		51,017
Hospitality Fund	82,663	
Local Accommodations Tax Fund		159,761
Sanitation Fund		62,500
Total	\$ 355,941	\$ 355,941

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 7 - RESTRICTED CASH AND CASH EQUIVALENTS

The Town's restricted cash and cash equivalents consisted of the following at June 30, 2010:

Governmental Activities:

General Fund:

Bail Bonds	\$	25,990
Drug Funds		12,415
Other Deposits Held		600
Total	\$	<u>39,005</u>

Note 8 - CAPITAL ASSETS

The Town's capital asset activity for the fifteen months ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Depreciated:				
Land	\$ 2,281,527	\$	\$	\$ 2,281,527
Construction in Progress	<u>286,356</u>	<u>2,329,897</u>	<u>(93,132)</u>	<u>2,523,121</u>
	\$ <u>2,567,883</u>	\$ <u>2,329,897</u>	\$ <u>(93,132)</u>	\$ <u>4,804,648</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 619,782	\$ 259,615	\$	\$ 879,397
Buildings and Improvements	1,653,079			1,653,079
Machinery, Equipment and Vehicles	3,479,267	297,629	(72,744)	3,704,152
Infrastructure	<u>4,989,469</u>	<u>350,013</u>	<u></u>	<u>5,339,482</u>
	\$ <u>10,741,597</u>	\$ <u>907,257</u>	\$ <u>(72,744)</u>	\$ <u>11,576,110</u>
Less Accumulated Depreciation for:				
Land Improvements	\$ (242,329)	\$ (44,707)	\$	\$ (287,036)
Buildings and Improvements	(716,834)	(67,192)		(784,026)
Machinery, Equipment and Vehicles	(2,203,924)	(331,569)	20,852	(2,514,641)
Infrastructure	<u>(435,096)</u>	<u>(246,742)</u>	<u></u>	<u>(681,838)</u>
	\$ <u>(3,598,183)</u>	\$ <u>(690,210)</u>	\$ <u>20,852</u>	\$ <u>(4,267,541)</u>
Capital Assets (Net)	\$ <u>9,711,297</u>	\$ <u>2,546,944</u>	\$ <u>(145,024)</u>	\$ <u>12,113,217</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8 - CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not Depreciated:				
Land	\$ 1,508,771	\$	\$	\$ 1,508,771
Construction in Progress	<u> </u>	<u>32,379</u>	<u> </u>	<u>32,379</u>
	\$ <u>1,508,771</u>	\$ <u>32,379</u>	\$ <u> </u>	\$ <u>1,541,150</u>
Capital Assets Being Depreciated:				
Buildings	\$ 1,050,557	\$	\$	\$ 1,050,557
Machinery, Equipment and Vehicles	<u>954,941</u>	<u>146,156</u>	<u> </u>	<u>1,101,097</u>
	\$ <u>2,005,498</u>	\$ <u>146,156</u>	\$ <u> </u>	\$ <u>2,151,654</u>
Less Accumulated Depreciation for:				
Buildings	\$ (44,237)	\$ (66,334)	\$	\$ (110,571)
Machinery, Equipment and Vehicles	<u>(366,756)</u>	<u>(136,979)</u>	<u> </u>	<u>(503,735)</u>
	\$ <u>(410,993)</u>	\$ <u>(203,313)</u>	\$ <u> </u>	\$ <u>(614,306)</u>
Capital Assets (Net)	\$ <u><u>3,103,276</u></u>	\$ <u><u>(24,778)</u></u>	\$ <u><u> </u></u>	\$ <u><u>3,078,498</u></u>

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

Governmental Activities:

General Government	\$ 237,487
Public Safety	221,813
Building and Zoning	2,608
Grounds	12,015
Street	176,087
Culture and Recreational	<u>40,200</u>
Total	\$ <u><u>690,210</u></u>

Business-Type Activities:

Sanitation	\$ 139,838
Pier	<u>63,475</u>
Total	\$ <u><u>203,313</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 9 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2010, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	General Fund	Hospitality Fund
Unavailable:		
Property Taxes	\$ <u>78,673</u>	\$ <u> </u>
Total Unavailable	\$ <u>78,673</u>	\$ <u> </u>
Unearned:		
Grants	\$ <u> </u>	\$ <u>6,224</u>
Total Unearned	\$ <u> </u>	\$ <u>6,224</u>
Total Deferred Revenue	\$ <u><u>78,673</u></u>	\$ <u><u>6,224</u></u>

Note 10 - LONG-TERM LIABILITIES

A. Governmental Activities

At June 30, 2010, long-term debt of the Town's governmental activities was as follows:

	Original Issue	Interest Rate	Maturity Date	Outstanding
General Obligation Bonds:				
Refunding Series 2004	\$ 3,165,000	2.0 - 3.0%	3/1/13	\$ 1,190,000

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

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 375,000	\$ 35,700	\$ 410,700
2012	400,000	24,450	424,450
2013	<u>415,000</u>	<u>12,450</u>	<u>427,450</u>
Total	\$ <u><u>1,190,000</u></u>	\$ <u><u>72,600</u></u>	\$ <u><u>1,262,600</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 10 - LONG-TERM LIABILITIES (continued)

B. Changes in Long-Term Liabilities

The Town's long-term liability activity for the fifteen months ended June 30, 2010 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	\$ 1,560,000	\$	\$ (370,000)	\$ 1,190,000	\$ 375,000
Premium	14,166		(4,521)	9,645	
Loss on Refunding	<u>(27,219)</u>		<u>8,688</u>	<u>(18,531)</u>	
	\$ 1,546,947	\$	\$ (365,833)	\$ 1,181,114	\$ 375,000
Compensated Absences	<u>190,844</u>	<u>258,737</u>	<u>(186,845)</u>	<u>262,736</u>	<u>133,170</u>
Total	<u>\$ 1,737,791</u>	<u>\$ 258,737</u>	<u>\$ (552,678)</u>	<u>\$ 1,443,850</u>	<u>\$ 508,170</u>
Business-Type Activities:					
Compensated Absences	<u>\$ 28,835</u>	<u>\$ 39,740</u>	<u>\$ (26,860)</u>	<u>\$ 41,715</u>	<u>\$ 18,394</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
June 30, 2010

Note 11- RETIREMENT PLANS (continued)

B. Funding Policy

Members of the PORS and SCRS are required to contribute at rates of 6.50% of their covered wages. The Town is required to contribute at actuarially determined rates, currently 10.85% (10.50% through June 2008) of PORS member wages and 9.39% (9.21% through June of 2008) of SCRS member wages which includes group life contributions of .20% and .15%, respectively. The contribution requirements of plan members and the Town are established and may be amended by the South Carolina Retirement Systems. The Town's contributions to the PORS for the fiscal periods ended June 30, 2010, March 31, 2009, and March 31, 2008 were \$142,963, \$109,239, and \$96,246, respectively. The Town's contributions to the SCRS for the fiscal periods ended June 30, 2010, March 31, 2009, and March 31, 2008 were \$203,410, \$154,973, and \$146,886, respectively. The contributions made by the Town to the PORS and SCRS, as shown above, were equal to the required contributions for each period.

Note 12 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these losses, the Town purchases insurance. There were no significant reductions in insurance coverage from the previous year. Settled claims have not exceeded insurance coverage for the past three fiscal periods ended June 30, 2010, March 31, 2009, and March 31, 2008. 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 RESTRICTIONS

The Town has restricted net assets in the amount of \$367,448 for tourism promotion and support. Of this amount, \$285,733 has been restricted through enabling legislation to be financed by the Town's local hospitality and accommodations taxes.

Note 15 - CONSTRUCTION COMMITMENTS

The Town has active construction projects as of June 30, 2010. The projects include such items as construction of a fire station, a dunes crossover, and engineering for the next underground utility project. The Town has committed to building a new passive park on the corner of North Poplar and Surfside Drive; however, no contract has been signed to date.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 15 - CONSTRUCTION COMMITMENTS (continued)

As of June 30, 2010, the Town's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment	Estimated Completion Date
	<u> </u>	<u> </u>	<u> </u>
Fire Station	\$ 2,479,062	\$	July 2010
Dunes Crossover		32,000	March 2011
Underground Utility		<u>125,500</u>	April 2011
Total	<u>\$ 2,479,062</u>	<u>\$ 157,500</u>	

Note 16 - NET ASSET RESTATEMENT

During the fifteen months ended June 30, 2010, a difference was discovered between the Town and County's tax records which caused an understatement of property taxes receivable at March 31, 2009. The effect of this error understated the change in net assets of governmental activities by \$26,245. There was no effect on the governmental funds.

	Governmental Net Assets
	<u> </u>
As Originally Reported	\$ 14,291,825
Property Taxes	<u>26,245</u>
As Restated	<u>\$ 14,318,070</u>

Note 17 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" which is effective for the Town's year ending June 30, 2011. This statement redefines the components of fund balance and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. The effect of implementation of this statement has not been determined.

Note 18 - SUBSEQUENT EVENTS

In November of 2010, the Town entered into a ten year lease agreement in the amount of \$731,469 for the purchase of a new fire truck.



REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

Fifteen Months Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 1,955,069	\$ 1,955,069	\$ 2,213,075	\$ 258,006
Franchise Fees	590,750	590,750	745,808	155,058
Licenses and Permits	2,519,750	2,519,750	2,808,169	288,419
Fines and Forfeitures	222,500	222,500	274,998	52,498
Intergovernmental	349,970	349,970	595,888	245,918
Other	178,500	178,500	180,556	2,056
Total Revenues	\$ 5,816,539	\$ 5,816,539	\$ 6,818,494	\$ 1,001,955
EXPENDITURES				
Current:				
General Government	\$ 1,204,174	\$ 1,302,143	\$ 1,296,259	\$ 5,884
Public Safety	2,423,277	2,661,531	2,646,664	14,867
Building and Zoning	269,125	320,272	318,462	1,810
Grounds	365,084	432,448	431,735	713
Street	564,488	773,772	775,937	(2,165)
Intragovernmental Maintenance	94,750	94,750	97,548	(2,798)
Culture and Recreation	285,723	344,869	343,982	887
Non-Departmental	157,730	165,989	160,704	5,285
Capital Outlay	271,360	295,582	303,580	(7,998)
Debt Service:				
Principal	370,000	370,000	370,000	
Interest	45,875	45,875	45,875	
Agent Fees	1,080	1,080	1,310	(230)
Total Expenditures	\$ 6,052,666	\$ 6,808,311	\$ 6,792,056	\$ 16,255
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (236,127)	\$ (991,772)	\$ 26,438	\$ 1,018,210
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 265,350	\$ 265,350	\$ 273,278	\$ 7,928
Transfers Out	(60,000)	(60,000)	(82,663)	(22,663)
Proceeds From Sale of Capital Assets	_____	_____	7,121	7,121
Total Other Financing Sources (Uses)	\$ 205,350	\$ 205,350	\$ 197,736	\$ (7,614)
Net Change in Fund Balances	\$ (30,777)	\$ (786,422)	\$ 224,174	\$ 1,010,596
Fund Balances - Beginning	4,339,154	4,339,154	4,339,154	_____
Fund Balances - Ending	\$ 4,308,377	\$ 3,552,732	\$ 4,563,328	\$ 1,010,596

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
ACCOMMODATIONS TAX FUND
Fifteen Months Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 582,000	\$ 582,000	\$ 545,348	\$ (36,652)
Other			10,033	10,033
Total Revenues	<u>\$ 582,000</u>	<u>\$ 582,000</u>	<u>\$ 555,381</u>	<u>\$ (26,619)</u>
EXPENDITURES				
Current:				
Public Safety	\$ 170,856	\$ 176,856	\$ 175,671	\$ 1,185
Grounds	15,876	15,876	15,496	380
Street	69,822	56,639	56,962	(323)
Culture and Recreation	31,556	59,232	59,390	(158)
Non-Departmental	177,100	159,135	160,002	(867)
Capital Outlay	50,000	41,601	41,789	(188)
Total Expenditures	<u>\$ 515,210</u>	<u>\$ 509,339</u>	<u>\$ 509,310</u>	<u>\$ 29</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 66,790</u>	<u>\$ 72,661</u>	<u>\$ 46,071</u>	<u>\$ (26,590)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (62,850)	\$ (52,850)	\$ (51,017)	\$ 1,833
Proceeds From Sale of Capital Assets			2,081	2,081
Total Other Financing Sources (Uses)	<u>\$ (62,850)</u>	<u>\$ (52,850)</u>	<u>\$ (48,936)</u>	<u>\$ 3,914</u>
Net Change in Fund Balances	<u>\$ 3,940</u>	<u>\$ 19,811</u>	<u>\$ (2,865)</u>	<u>\$ (22,676)</u>
Fund Balances - Beginning	<u>18,586</u>	<u>18,586</u>	<u>18,586</u>	
Fund Balances - Ending	<u><u>\$ 22,526</u></u>	<u><u>\$ 38,397</u></u>	<u><u>\$ 15,721</u></u>	<u><u>\$ (22,676)</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
HOSPITALITY FUND
Fifteen Months Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Hospitality Fees	\$ 715,000	\$ 715,000	\$ 804,000	\$ 89,000
Intergovernmental			37,988	37,988
Other	145,000	145,000	164,009	19,009
Total Revenues	<u>\$ 860,000</u>	<u>\$ 860,000</u>	<u>\$ 1,005,997</u>	<u>\$ 145,997</u>
EXPENDITURES				
Current:				
General Government	\$ 49,525	\$ 59,558	\$ 59,090	\$ 468
Public Safety	74,492	90,849	93,428	(2,579)
Culture and Recreation	122,500	99,533	27,448	72,085
Capital Outlay	1,911,500	2,461,728	2,531,567	(69,839)
Total Expenditures	<u>\$ 2,158,017</u>	<u>\$ 2,711,668</u>	<u>\$ 2,711,533</u>	<u>\$ 135</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,298,017)</u>	<u>\$ (1,851,668)</u>	<u>\$ (1,705,536)</u>	<u>\$ 146,132</u>
OTHER FINANCING SOURCES				
Transfers In	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 82,663</u>	<u>\$ 22,663</u>
Net Change in Fund Balances	<u>\$ (1,238,017)</u>	<u>\$ (1,791,668)</u>	<u>\$ (1,622,873)</u>	<u>\$ 168,795</u>
Fund Balances - Beginning	<u>1,812,827</u>	<u>1,812,827</u>	<u>1,812,827</u>	
Fund Balances - Ending	<u><u>\$ 574,810</u></u>	<u><u>\$ 21,159</u></u>	<u><u>\$ 189,954</u></u>	<u><u>\$ 168,795</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL ACCOMMODATIONS TAX FUND
Fifteen Months Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Accommodations Taxes	\$ 150,000	\$ 150,000	\$ 159,761	\$ 9,761
Other			12	12
Total Revenues	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 159,773</u>	<u>\$ 9,773</u>
OTHER FINANCING (USES)				
Transfers Out	\$ (150,000)	\$ (159,800)	\$ (159,761)	\$ 39
Net Change in Fund Balances	\$	\$ (9,800)	\$ 12	\$ 9,812
Fund Balances - Beginning	<u>7,593</u>	<u>7,593</u>	<u>7,593</u>	
Fund Balances - Ending	<u>\$ 7,593</u>	<u>\$ (2,207)</u>	<u>\$ 7,605</u>	<u>\$ 9,812</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010

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. The Town changed its fiscal reporting period to June 30th. Therefore, the current operating budget presented in these financial statements includes a fifteen month fiscal period ending June 30, 2010.
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 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 fifteen months ended June 30, 2010, expenditures did not exceed appropriations for any of the Town's individual funds which are presented as required supplementary information. Supplemental funds were appropriated for expenditures during the fifteen months ended June 30, 2010 as follows:

General Fund	\$ 755,645
Hospitality Fund	\$ 553,651

INDIVIDUAL FUND STATEMENT

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIREMEN'S FUND
Fifteen Months Ended June 30, 2010

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
ASSETS				
Cash and Cash Equivalents	\$ <u>121,128</u>	\$ <u>46,411</u>	\$ <u>11,849</u>	\$ <u>155,690</u>
LIABILITIES				
Due to Town Firemen's Association	\$ <u>121,128</u>	\$ <u>46,411</u>	\$ <u>11,849</u>	\$ <u>155,690</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
Fifteen Months Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 250,000	\$ 250,000	\$ 279,894	\$ 29,894
Intergovernmental			121,697	121,697
Other			7,801	7,801
Total Revenues	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 409,392</u>	<u>\$ 159,392</u>
EXPENDITURES				
Current:				
Grounds	\$ 14,000	\$ 14,000	\$ 18,762	\$ (4,762)
Street	6,690	20,274	28,818	(8,544)
Capital Outlay	175,000	243,518	226,629	16,889
Total Expenditures	<u>\$ 195,690</u>	<u>\$ 277,792</u>	<u>\$ 274,209</u>	<u>\$ 3,583</u>
Net Change in Fund Balances	\$ 54,310	\$ (27,792)	\$ 135,183	\$ 162,975
Fund Balances - Beginning	<u>3,452</u>	<u>3,452</u>	<u>3,452</u>	
Fund Balances - Ending	<u><u>\$ 57,762</u></u>	<u><u>\$ (24,340)</u></u>	<u><u>\$ 138,635</u></u>	<u><u>\$ 162,975</u></u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
SANITATION FUND
Fifteen Months Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Charges for Services	\$ 1,472,500	\$ 1,472,500	\$ 1,409,891	\$ (62,609)
Total Revenues	<u>\$ 1,472,500</u>	<u>\$ 1,472,500</u>	<u>\$ 1,409,891</u>	<u>\$ (62,609)</u>
OPERATING EXPENSES				
Personnel Service and Related Expenses	\$ 518,831	\$ 560,896	\$ 560,896	\$
Maintenance and Service Contracts	388,500	431,256	431,256	
Materials and Supplies	32,600	26,182	26,182	
Repairs and Maintenance	2,500	2,500	1,630	870
Depreciation	125,000	139,838	139,838	
Other Operating Expenses	23,735	21,228	21,891	(663)
Total Operating Expenses	<u>\$ 1,091,166</u>	<u>\$ 1,181,900</u>	<u>\$ 1,181,693</u>	<u>\$ 207</u>
Operating Income (Loss)	<u>\$ 381,334</u>	<u>\$ 290,600</u>	<u>\$ 228,198</u>	<u>\$ (62,402)</u>
NONOPERATING REVENUES				
Interest Earnings	\$	\$	\$ 133	\$ 133
Total Nonoperating Revenues	<u>\$</u>	<u>\$</u>	<u>\$ 133</u>	<u>\$ 133</u>
Income (Loss) Before Transfers	\$ 381,334	\$ 290,600	\$ 228,331	\$ (62,269)
Transfers Out	<u>(62,500)</u>	<u>(62,500)</u>	<u>(62,500)</u>	<u></u>
Change in Net Assets	<u>\$ 318,834</u>	<u>\$ 228,100</u>	<u>\$ 165,831</u>	<u>\$ (62,269)</u>
Total Net Assets - Beginning	<u>991,659</u>	<u>991,659</u>	<u>991,659</u>	<u></u>
Total Net Assets - Ending	<u><u>\$ 1,310,493</u></u>	<u><u>\$ 1,219,759</u></u>	<u><u>\$ 1,157,490</u></u>	<u><u>\$ (62,269)</u></u>

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

Fifteen Months Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Services	\$ 340,375	\$ 340,375	\$ 447,731	\$ 107,356
Total Revenues	\$ 340,375	\$ 340,375	\$ 447,731	\$ 107,356
OPERATING EXPENSES				
Personnel Service and Related Expenses	\$ 11,553	\$ 19,496	\$ 19,496	\$
Materials and Supplies	5,000	5,000	4,337	663
Repairs and Maintenance	40,000	33,679	33,679	
Depreciation	50,000	63,475	63,475	
Other Operating Expenses	16,000	26,474	24,855	1,619
Total Operating Expenses	\$ 122,553	\$ 148,124	\$ 145,842	\$ 2,282
Operating Income (Loss)	\$ 217,822	\$ 192,251	\$ 301,889	\$ 109,638
NONOPERATING REVENUES (EXPENSES)				
Interest Earnings	\$	\$	\$ 69	\$ 69
Interest Expense	(32,600)	(37,816)	(37,816)	
Total Nonoperating Revenues (Expenses)	\$ (32,600)	\$ (37,816)	\$ (37,747)	\$ 69
Income (Loss) Before Transfers	\$ 185,222	\$ 154,435	\$ 264,142	\$ 109,707
Transfers In	10,000	10,000		(10,000)
Change in Net Assets	\$ 195,222	\$ 164,435	\$ 264,142	\$ 99,707
Total Net Assets - Beginning	847,972	847,972	847,972	
Total Net Assets - Ending	\$ 1,043,194	\$ 1,012,407	\$ 1,112,114	\$ 99,707

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
Fifteen Months Ended June 30, 2010**

COURT FINES

Court Fines Collected	\$ 165,342
Court Fines Retained by Town	<u>(165,342)</u>
Court Fines Remitted to the State Treasurer	<u><u>\$</u></u>

COURT ASSESSMENTS

Court Assessments Collected	\$ 172,839
Court Assessments Retained by Town	<u>(18,947)</u>
Court Assessments Remitted to the State Treasurer	<u><u>\$ 153,892</u></u>

COURT SURCHARGES

Court Surcharges Collected	\$ 59,414
Court Surcharges Retained by Town	<u>(7,724)</u>
Court Surcharges Remitted to the State Treasurer	<u><u>\$ 51,690</u></u>

COURT DPS PULLOUTS

Court DPS Pullouts Collected	\$ 9,095
Court DPS Pullouts Retained by Town	<u></u>
Court DPS Pullouts Remitted to the State Treasurer	<u><u>\$ 9,095</u></u>

VICTIMS SERVICES

Court Assessments Allocated to Victim Services	\$ 18,947
Court Surcharges Allocated to Victim Services	<u>7,724</u>
Total Funds Allocated to Victim Services	<u>\$ 26,671</u>
Victim Services Expenditures	(46,522)
Prior Year Carryforward	<u></u>
Funds Available for Carryforward	<u><u>\$</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.	55-62
Revenue Capacity	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	63-66
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.	67-70
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.	71-72
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.	73-75

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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Governmental activities										
Invested in capital assets, net of related debt	\$ 10,932,103	\$ 8,196,888	\$ 6,919,553	\$ 5,344,522	\$ 4,046,028	\$ 3,839,574	\$ 2,138,699	\$	\$	\$
Restricted	406,066	1,867,568	2,093,153	1,536,378	1,558,229	1,431,687	1,813,481			
Unrestricted	4,394,241	4,227,369	5,006,855	5,618,178	5,139,727	3,769,262	3,234,283			
Total governmental activities net assets	\$ 15,732,410	\$ 14,291,825	\$ 14,019,561	\$ 12,499,078	\$ 10,743,984	\$ 9,040,523	\$ 7,186,463	\$	\$	\$
Business-type activities										
Invested in capital assets, net of related debt	\$ 3,078,498	\$ 3,103,276	\$ 724,808	\$ 410,834	\$ 352,927	\$ 371,668	\$ 304,001	\$	\$	\$
Unrestricted	(855,355)	(1,263,645)	120,043	317,139	96,446	69,340	111,154			
Total business-type activities net assets	\$ 2,223,143	\$ 1,839,631	\$ 844,851	\$ 727,973	\$ 449,373	\$ 441,008	\$ 415,155	\$	\$	\$
Primary Government										
Invested in capital assets, net of related debt	\$ 14,010,601	\$ 11,300,164	\$ 7,644,361	\$ 5,755,356	\$ 4,398,955	\$ 4,211,242	\$ 2,442,700	\$	\$	\$
Restricted	406,066	1,867,568	2,093,153	1,536,378	1,558,229	1,431,687	1,813,481			
Unrestricted	3,538,886	2,963,724	5,126,898	5,935,317	5,236,173	3,838,602	3,345,437			
Total primary government activities net assets	\$ 17,955,553	\$ 16,131,456	\$ 14,864,412	\$ 13,227,051	\$ 11,193,357	\$ 9,481,531	\$ 7,601,618	\$	\$	\$

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Expenses										
Governmental activities:										
General Government	\$ 1,936,037	\$ 1,487,967	\$ 1,372,244	\$ 1,518,483	\$ 1,095,556	\$ 1,041,351	\$ 1,120,580	\$	\$	\$
Public Safety	3,189,927	2,460,933	2,371,314	2,015,991	2,072,616	1,885,525	1,723,611			
Building and Zoning	322,102	244,152	282,304	238,278						
Grounds	485,100									
Street	1,072,451	1,111,069	1,178,169	732,622	711,466	577,946	500,730			
Culture and Recreation	476,660	558,936	483,391	479,222	398,886	418,413	424,559			
Interest and Fiscal Charges	69,814	66,482	88,181	85,049	87,255	93,271	157,207			
Total governmental activities expense	7,552,091	5,929,539	5,775,603	5,069,645	4,365,779	4,016,506	3,926,687			
Business-type activities:										
Sanitation	1,228,154	962,936	1,072,194	929,637	915,909	858,613	818,329			
Pier	183,658	107,370								
Total business-type activities	1,411,812	1,070,306	1,072,194	929,637	915,909	858,613	818,329			
Total primary government expenses	\$ 8,963,903	\$ 6,999,845	\$ 6,847,797	\$ 5,999,282	\$ 5,281,688	\$ 4,875,119	\$ 4,745,016	\$	\$	\$
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 165,942	\$ 126,601	\$ 153,714	\$ 95,322	\$ 104,791	\$ 94,636	\$ 91,525	\$	\$	\$
Public Safety	337,573	311,218	273,900	223,656	511,478	402,749	338,202			
Building and Zoning	177,453	130,110	160,393	271,658						
Culture and Recreation	60,815	52,928	53,763	59,487	54,251	62,254	68,337			
Operating Grants and Contributions	207,765	212,262	69,271	83,425	52,633	70,524	33,263			
Capital Grants and Contributions	303,818	197,101	298,645	94,350	75,959	413,238	409,324			
Total governmental activities program revenues	1,253,366	1,030,220	1,009,686	827,898	799,112	1,043,401	940,651			
Business-type activities:										
Charges for Services	1,409,891	1,148,643	1,164,391	1,141,924	925,145	865,325	802,599			
Sanitation	447,731	85,314								
Pier										
Operating Grants and Contributions						17,405				
Total business-type activities program revenues	1,857,622	1,233,957	1,164,391	1,141,924	925,145	882,730	802,599			
Total primary government revenues	\$ 3,110,988	\$ 2,264,177	\$ 2,174,077	\$ 1,969,822	\$ 1,724,257	\$ 1,926,131	\$ 1,743,250	\$	\$	\$

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net (expense) revenue										
Governmental activities	\$ (6,298,725)	\$ (4,899,319)	\$ (4,765,917)	\$ (4,241,747)	\$ (3,566,667)	\$ (2,973,105)	\$ (2,986,036)	\$	\$	\$
Business-type activities	445,810	163,651	92,197	212,287	9,236	24,117	(15,730)			
Total primary government net expense	\$ (5,852,915)	\$ (4,735,668)	\$ (4,673,720)	\$ (4,029,460)	\$ (3,557,431)	\$ (2,948,988)	\$ (3,001,766)	\$	\$	\$
General Revenues and Other Changes in Net Assets										
Governmental activities										
Property taxes	\$ 2,437,909	\$ 2,316,688	\$ 2,208,501	\$ 2,146,666	\$ 2,088,116	\$ 1,979,199	\$ 1,919,558	\$	\$	\$
Local Accommodations Taxes	159,761	139,549	146,587	136,914	116,393	106,475	97,211			
Business Licenses Taxes	2,628,551	1,455,823	1,548,915	1,331,700	1,192,406	1,018,750	944,899			
Franchise Taxes	745,808	526,406	518,911	496,568	469,622	446,194	463,956			
Hospitality Fees	804,000	669,304	721,269	674,718	615,341	588,603	560,257			
Unrestricted Grants and Contributions	811,567	759,823	759,845	686,736	617,989	586,771	544,689			
Investment Earnings	53,572	122,639	357,720	373,855	209,305	82,684	65,317			
Gain on Disposal of Capital Assets	9,397	6,717	29,494	29,494	7,551	8,489				
Other General Revenues	62,500	(830,000)	4,652	63,542	9,618	10,000	10,000			
Transfers	7,713,065	5,171,583	6,286,400	5,956,841	5,326,341	4,827,165	4,605,887			
Total governmental activities										
Business-type activities										
Investment Earnings	202	541	6,929	7,286	2,567	625	956			
Gain on Disposal of Capital Assets		588	37,752	75,675	11,820	11,111				
Transfers	(62,500)	830,000	(20,000)	(16,648)	(9,618)	(10,000)	(10,000)			
Total business-type activities	(62,298)	831,129	24,681	66,313	4,769	1,736	(9,044)			
Total primary government	\$ 7,650,767	\$ 6,002,712	\$ 6,311,081	\$ 6,023,154	\$ 5,331,110	\$ 4,828,901	\$ 4,596,843	\$	\$	\$
Changes in Net Assets										
Governmental activities	\$ 1,414,340	\$ 272,264	\$ 1,520,483	\$ 1,715,094	\$ 1,759,674	\$ 1,854,060	\$ 1,619,851	\$	\$	\$
Business-type activities	383,512	994,780	116,878	278,600	14,005	25,853	(24,774)			
Total primary government	\$ 1,797,852	\$ 1,267,044	\$ 1,637,361	\$ 1,993,694	\$ 1,773,679	\$ 1,879,913	\$ 1,595,077	\$	\$	\$

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Local Accomodations Taxes</u>	<u>Business Licenses Taxes</u>	<u>Franchise Taxes</u>	<u>Hospitality Fees</u>	<u>Total</u>
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
2008	2,208,501	146,587	1,548,915	518,911	721,269	5,144,183
2009	2,316,688	139,549	1,455,823	526,406	669,304	5,107,770
2010	2,437,909	159,761	2,628,551	745,808	804,000	6,776,029

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 1,356,711	\$ 1,546,373	\$ 91,008	\$ 93,072	\$ 75,261	\$ 33,315	\$ 35,182	\$ 32,645	\$ 30,828	\$ 31,442
Unreserved - designated	1,633,961	1,650,115	1,680,447	1,865,981	2,279,217	2,084,519	2,033,345	1,934,368	1,785,327	1,583,651
Unreserved - undesignated	1,572,656	1,142,666	2,751,641	2,451,112	1,901,664	1,394,656	942,261	1,260,260	974,821	792,600
Total General Fund	\$ 4,563,328	\$ 4,339,154	\$ 4,523,096	\$ 4,410,165	\$ 4,256,142	\$ 3,512,490	\$ 3,010,788	\$ 3,227,273	\$ 2,790,976	\$ 2,407,693
All Other Governmental Funds										
Reserved, reported in:	\$ 12,500	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special Revenue Funds										
Unreserved - designated, reported in:										
Special Revenue Funds	189,954	222,124	804,042	806,388	867,860	797,982	731,586	685,190	620,268	427,068
Capital Projects Fund	138,635	3,452	508,918	1,427,988	869,854	274,872	249,670			
Unreserved - undesignated, reported in:										
Special Revenue Funds	10,826	1,616,882	1,274,687	720,641	685,407	633,705	1,081,895	801,547	597,352	459,587
Total All Other Governmental Funds	\$ 351,915	\$ 1,842,458	\$ 2,587,647	\$ 2,955,017	\$ 2,423,121	\$ 1,706,559	\$ 2,063,151	\$ 1,486,737	\$ 1,217,620	\$ 886,655

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Property Taxes	\$ 2,492,969	\$ 2,303,879	\$ 2,201,127	\$ 2,138,888	\$ 2,089,430	\$ 1,977,665	\$ 1,904,727	\$ 1,549,091	\$ 1,503,677	\$ 1,494,180
Franchise Taxes	745,808	526,406	518,911	496,568	469,622	446,194	463,956	411,069	404,842	389,423
Hospitality Taxes	804,000	669,304	721,269	674,718	615,341	588,603	560,257	523,223	498,807	475,182
Local Accommodations Taxes	159,761	139,549	146,587	136,914	116,393	106,475	97,211	70,790		
Licenses and Permits	2,808,169	1,574,633	1,701,548	1,603,205	1,538,253	1,308,524	1,152,481	1,078,292	1,046,050	891,821
Fines and Forfeitures	274,998	263,399	235,078	200,389	143,450	112,289	120,975	157,129	211,580	173,044
Intergovernmental	1,300,921	1,176,874	1,087,759	846,261	733,381	1,061,879	902,418	661,115	655,736	645,570
Other	362,411	383,701	634,161	639,085	406,158	248,914	238,482	165,711	159,493	119,027
Total Revenues	8,949,037	7,037,745	7,246,440	6,736,028	6,112,028	5,850,543	5,440,507	4,616,420	4,480,185	4,188,247
Expenditures										
General Government	1,355,349	1,002,468	806,707	800,304	698,260	665,268	604,629	536,936	520,647	494,309
Public Safety	2,915,763	2,259,819	2,155,183	1,810,943	1,916,226	1,714,933	1,574,263	1,371,654	1,346,274	1,306,964
Building and Zoning	318,462	239,729	273,739	231,620						
Grounds	465,993									
Street	861,717	969,183	967,011	647,018	582,603	464,442	451,789	543,656	448,451	409,695
Intragovernmental Maintenance	97,548	78,084	85,651	83,768	106,545	78,784	83,011	70,630	120,176	133,997
Culture and Recreation	430,820	512,760	437,305	447,773	362,944	387,278	409,503	369,884	333,865	316,652
Non-Departmental	320,706	284,405	479,198	599,589	331,733	313,716	359,923	448,982	402,180	385,053
Capital Outlay	3,103,565	1,394,126	1,693,092	1,110,855	281,261	1,719,032	1,196,761	304,923	288,444	569,147
Debt Service:										
Principal	370,000	345,000	562,789	320,000	310,000	300,000	346,347	255,000	245,000	235,000
Interest	45,875	54,500	79,961	69,150	73,350	88,129	75,698	174,179	185,204	195,769
Agent Fees	1,310	1,060	1,060	998	780	780	540	1,027	976	973
Total Expenditures	10,287,108	7,141,134	7,541,696	6,122,018	4,663,702	5,732,362	5,102,464	4,076,871	3,891,217	4,047,559
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(1,338,071)	(103,389)	(295,256)	614,010	1,448,326	118,181	338,043	539,549	588,968	140,688

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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Other Financing Sources (Uses)										
Transfers In	355,941	431,146	299,861	639,976	691,133	1,208,199	1,064,446	174,395	98,081	116,867
Transfers Out	(293,441)	(1,261,146)	(279,861)	(619,976)	(681,133)	(1,198,199)	(1,054,446)	(164,395)	(98,081)	(116,867)
Proceeds Sale of Capital Assets	9,202	4,258	20,817	11,909	5,487	16,929		78,939	11,909	8,042
Total Financing Sources (Uses)	71,702	(825,742)	40,817	31,909	15,487	26,929	10,000	88,939	11,909	8,042
Net Change in Fund Balances	\$ (1,266,369)	\$ (929,131)	\$ (254,439)	\$ 645,919	\$ 1,463,813	\$ 145,110	\$ 348,043	\$ 628,488	\$ 600,877	\$ 148,730
Debt Service as a Percentage of Noncapital Expenditures	6.17%	7.49%	11.07%	7.78%	8.82%	9.69%	10.82%	11.41%	11.97%	12.41%

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

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

UNAUDITED

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

Fiscal Year	Property Taxes	Local Accommodations Taxes	Business Licenses Taxes	Franchise Taxes	Hospitality Fees	Total
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
2008	2,201,127	146,587	1,548,915	518,911	721,269	5,136,809
2009	2,303,879	139,549	1,455,823	526,406	669,304	5,094,961
2010	2,492,969	159,761	2,628,551	745,808	804,000	6,831,089

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

Fiscal Year End	Tax Year	Real Property Assessed Value	Personal Property Assessed Value	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Tax Millage	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
3/31/01	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%
3/31/08	2007	44,678,414	5,134,590	585,990	49,227,014	44.0	862,011,196	5.71%
3/31/09	2008	48,963,006	4,770,448	857,314	52,876,140	44.0	933,969,993	5.66%
6/30/10	2009	50,572,855	4,355,394	864,733	54,063,516	44.0	957,529,121	5.65%

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

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

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	
2000	44.0	44.0	44.0	38.7	5.7	44.4	94.4	22.0	116.4	204.8
2001	44.0	44.0	44.0	43.9	7.0	50.9	102.9	22.0	124.9	219.8
2002	44.0	44.0	44.0	43.9	7.0	50.9	102.9	22.0	124.9	219.8
2003	55.0	55.0	55.0	44.7	6.2	50.9	108.4	22.0	130.4	236.3
2004	55.0	55.0	55.0	44.7	6.2	50.9	108.4	22.0	130.4	236.3
2005	44.0	44.0	44.0	41.0	5.3	46.3	101.7	28.0	129.7	220.0
2006	44.0	44.0	44.0	41.0	5.3	46.3	107.3	28.0	135.3	225.6
2007	44.0	44.0	44.0	42.0	5.3	47.3	115.3	28.0	143.3	234.6
2008	44.0	44.0	44.0	42.0	5.3	47.3	115.3	28.0	143.3	234.6
2009	44.0	44.0	44.0	42.0	5.3	47.3	119.3	20.0	139.3	230.6

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

June 30, 2010

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Columbia II Surfside Commons	\$ 498,000	1	0.92%	\$		
Surfside Pier Hotel, Ltd.	398,916	2	0.74%	398,916	1	1.18%
Lodgian Hotels Fixed IV, LP	215,142	3	0.40%			
Holiday Inn Surfside	203,630	4	0.38%			
Bonnie Jean Hammond-Robinson	175,788	5	0.33%	175,788	4	0.52%
Verizon South, Inc.	151,410	6	0.28%			
RMP, LLC	146,640	7	0.27%			
Julia N. Pennington	126,600	8	0.23%			
Tebele Investments, LLC	125,922	9	0.23%	127,356	8	0.38%
Surfside Shopping Center	118,650	10	0.22%	136,932	6	0.41%
IMPAC Hotels, Inc.				329,340	2	0.98%
James Calhoun, III				153,600	5	0.45%
BiLo, Inc.				297,222	3	0.88%
Hosp Corp of America				134,318	7	0.40%
AHP Corporation				121,554	9	0.36%
Classic Investments				118,590	10	0.35%
	<u>\$ 2,160,698</u>		<u>4.00%</u>	<u>\$ 1,993,616</u>		<u>5.90%</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
3/31/01	\$ 1,728,979	\$ 1,413,811	81.77%	\$ 71,857	\$ 1,485,668	85.93%
3/31/02	1,711,710	1,407,132	82.21%	77,622	1,484,754	86.74%
3/31/03	1,696,417	1,446,681	85.28%	95,370	1,542,051	90.90%
3/31/04	2,067,642	1,806,967	87.39%	70,332	1,877,299	90.79%
3/31/05	2,135,702	1,885,402	88.28%	87,761	1,973,163	92.39%
3/31/06	2,230,238	1,985,077	89.01%	82,723	2,067,800	92.72%
3/31/07	2,002,191	1,906,087	95.20%	93,644	1,999,731	99.88%
3/31/08	2,087,362	1,977,059	94.72%	98,908	2,075,967	99.45%
3/31/09	2,315,577	2,082,049	89.91%	220,929	2,302,978	99.46%
6/30/10	2,276,552	2,145,810	94.26%		2,145,810	94.26%

(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.

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

The 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		
3/31/01	\$ 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
3/31/08	1,905,000		1,905,000	1.76%	353
3/31/09	1,560,000		1,560,000	1.44%	278
6/30/10	1,190,000		1,190,000	1.10%	204

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

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
3/31/01	\$ 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
3/31/08	1,905,000		1,905,000	0.22%	353
3/31/09	1,560,000		1,560,000	0.17%	278
6/30/10	1,190,000		1,190,000	0.12%	204

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

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

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 122,175,000	2.70%	\$ 3,298,725
Debt repaid with property taxes: School District	412,640,000	2.70%	<u>11,141,280</u>
Subtotal, overlapping debt			14,440,005
Town of Surfside Beach Direct Debt			<u>1,190,000</u>
Total Direct and Overlapping Debt			<u>\$ 15,630,005</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, 2010.

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.

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt Limit	\$ 4,343,229	\$ 4,248,239	\$ 3,956,309	\$ 3,864,266	\$ 3,738,227	\$ 2,930,416	\$ 2,803,349	\$ 2,735,566	\$ 2,751,883	\$ 2,719,673
Total Net Debt Applicable to Limit	553,460	571,938	589,169	605,649	621,630	637,112	652,095	560,330	526,467	562,496
Legal Debt Margin	\$ 3,789,769	\$ 3,676,301	\$ 3,367,140	\$ 3,258,617	\$ 3,116,597	\$ 2,293,304	\$ 2,151,254	\$ 2,175,236	\$ 2,225,416	\$ 2,157,177
Total net debt applicable to the limit as a percentage of debt limit	12.74%	13.46%	14.89%	15.67%	16.63%	21.74%	23.26%	20.48%	19.13%	20.68%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 54,063,516
Exempt Merchants Inventory (1987 Valuation)	226,850
Total	54,290,366
Debt limit (8% of total assessed value)	4,343,229
Debt applicable to limit:	
General obligation bonds	1,190,000
Bonds issued under referendum	(636,540)
Total net debt applicable to limit	553,460
Legal debt margin	\$ 3,789,769

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

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

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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 Capita Personal Income (1)	Median Age (1)	School Enrollment (1)	Unemployment Rate (2)
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	5.40%
3/31/08	5,392	108,169	20,061	44.5	680	5.80%
3/31/09	5,608	108,169	19,288	44.5	680	12.80%
6/30/10	5,832	108,169	18,547	44.5	680	10.30%

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

(1) U.S. Census Bureau, 2000 Census. Population amounts for 2002 - 2010 are calculated using growth rates of the previous years.

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

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**PRINCIPAL EMPLOYERS
Current and Nine Years Ago**

Employer	2010			2001		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Crabby Mike's	94	1	Unavailable	Unavailable	1	Unavailable
Surfside Realty Co, Inc.	90	2	Unavailable	Unavailable	2	Unavailable
Piggly Wiggly	75	3	Unavailable	Unavailable	3	Unavailable
BiLo	75	3	Unavailable	Unavailable	4	Unavailable
Town of Surfside Beach	73	5	Unavailable	Unavailable	5	Unavailable
Onstage Entertainment	70	6	Unavailable	Unavailable	6	Unavailable
Lodgian Hotels	55	7	Unavailable	Unavailable	7	Unavailable
Days Inn Surfside Beach	54	8	Unavailable	Unavailable	8	Unavailable
Lanes's Pest Elimination	47	9	Unavailable	Unavailable	9	Unavailable
Original Benjamin's Calabash	31	10	Unavailable	Unavailable	10	Unavailable
	<u>664</u>		<u>Unavailable</u>	<u>Unavailable</u>		<u>Unavailable</u>

Source: Finance department and each employer.

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

Function	Full-time Equivalent Employees as of Year End									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government	10	13	11	12	11	11	12	10	10	11
Public Safety										
Police										
Officers	22	21	20	20	20	20	15	15	14	14
Communications/Office	6	6	7	7	7	5	6	6	6	5
Fire										
Firefighters and Officers	6	5	5	5	5	5	5	6	6	6
Building and Zoning	3	3	4	4	5	5	4	3	3	3
Grounds	7									
Public Works										
Streets	7	7	11	11	10	10	10	10	11	10
Vehicle Maintenance	1	1	2	2	2	2	2	2	2	3
Culture and Recreation	2	9	5	5	6	6	6	6	6	6
Sanitation	9	8	12	12	12	12	11	11	11	9
Total	73	73	77	78	78	76	71	69	69	67

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

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

Source: Town budget.

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police										
Physical arrests	676	506	528	310	750	517	527	588	685	869
Parking violations	3,677	2,872	2,730	2,168	2,673	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
Traffic violations	4,129	3,946	3,676	1,794	3,435	2,352	1,910	1,780	2,498	3,077
Fire										
Number of calls answered	675	756	729	514	663	609	656	638	586	533
Building and Zoning										
New construction permits	19	22	47	84	115	87	130	71	59	73
Culture and Recreation										
Events held	27	16	19	20	19	13	12	11	13	11
Sanitation										
Refuse collected (tons)	8,873	6,977	7,618	7,715	7,435	7,350	7,109	6,681	6,459	Unavailable
Recyclables collected	626	383	312	300	308	312	307	300	268	Unavailable
Pier										
Admissions	80,787	8,699								
Fishing	18,264	2,197								

Source: Various government departments.

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

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

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TOWN OF SURESIDE BEACH, SOUTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	21	21	21	19	19	14	14	14	14	14
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	39	39	39	39	36	34	34	34	33	33
Streetlights	518	518	518	518	518	492	492	492	452	452
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	6	5	5	5	5	5	5	5	5	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	7	7	7	9	8	8	7	7	6	6
Pier										
Fishing Pier	1	1								

Source: Various government departments.

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

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

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

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**INDEPENDENT AUDITORS' OTHER
REPORT SECTION**





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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina as of and for the fifteen months ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

significant deficiencies in internal control over financial reporting. We consider the deficiency 10-B1 to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance And Other Matters

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

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

This report is intended solely for the information and use of management, others within the 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
December 20, 2010

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
Fifteen Months Ended June 30, 2010

A. Summary of Audit Results

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

B. Findings - Financial Statement Audit

10-B1 Financial Statement Preparation

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

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

Cause: Management turnover prevented the Town's accounting staff from preparing its financial statements.

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

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
Fifteen Months Ended June 30, 2010

B. Findings - Financial Statement Audit (continued)

10-B1 Financial Statement Preparation (continued)

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

C. Findings - Federal Award Program Audit

Not applicable.



