

Town of Surfside Beach

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

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2012



Surfside Beach, South Carolina

Dedicated people providing quality and responsive service to our community.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

Prepared By:

Finance Department

Kimberly Hursey, Finance Officer



INTRODUCTORY SECTION



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2012**

TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Page</u>
Table of Contents.....	i
Principal Officials.....	iii
Organizational Chart.....	iv
Letter of Transmittal.....	v
Certificate of Achievement for Excellence in Financial Reporting.....	xii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Assets - Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Fiduciary Net Assets - Agency Fund.....	27
Notes to Financial Statements.....	28
Required Supplementary Information	
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	45
Accommodations Tax Fund.....	46
Hospitality Fund	47
Local Accommodations Tax Fund.....	48
Notes to Required Supplementary Information	49

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2012**

TABLE OF CONTENTS (continued)

FINANCIAL SECTION (continued)	<u>Page</u>
Individual Fund Statement	
Statement of Changes in Assets and Liabilities - Firemen’s Fund.....	50
Other Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Projects Fund.....	51
Schedule of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual - Sanitation Fund.....	52
Pier Fund.....	53
Schedule of Fines, Assessments and Surcharges	54
 STATISTICAL SECTION	
Net Assets by Component	55
Changes in Net Assets	56
Governmental Activities Tax Revenue by Source.....	58
Fund Balances of Governmental Funds.....	59
Changes in Fund Balances of Governmental Funds Balances.....	60
General Governmental Tax Revenues by Source	62
Assessed Value and Estimated Actual Value of Taxable Property	63
Property Tax Rates	64
Principal Property Taxpayers	65
Property Tax Levies and Collections.....	66
Ratios of Outstanding Debt by Type	67
Ratios of General Bonded Debt Outstanding	68
Direct and Overlapping Governmental Activities Debt.....	69
Legal Debt Margin Information.....	70
Demographics and Economics	71
Principal Employers.....	72
Full-time Equivalents Town Government Employees by Function/Program.....	73
Operating Indicators by Function	74
Capital Assets Statistics.....	75
 INDEPENDENT AUDITORS’ OTHER REPORT SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	76
Schedule of Findings and Responses.....	78

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**PRINCIPAL OFFICIALS
June 30, 2012**

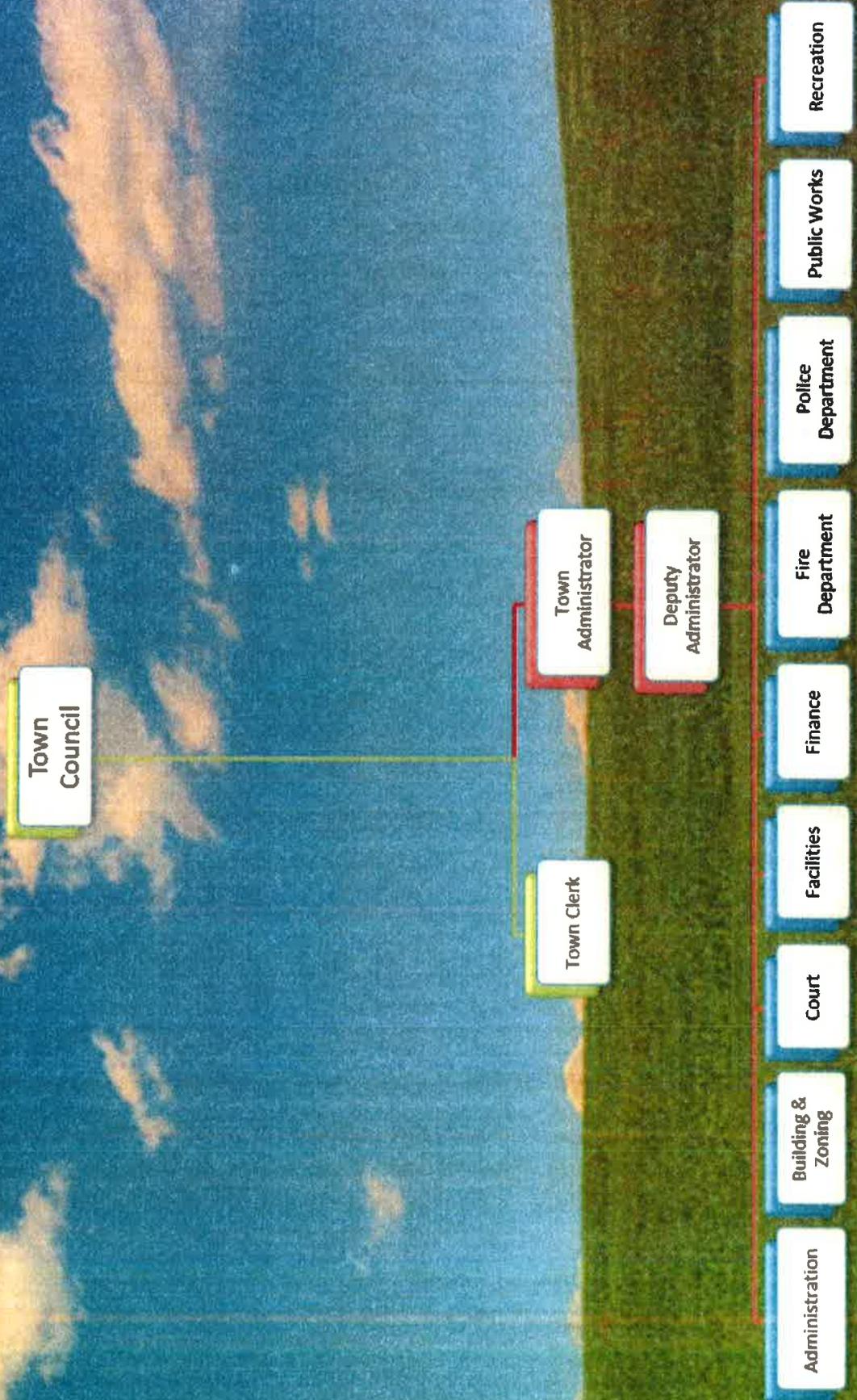
ELECTED

Mayor Douglas F. Samples
Mayor Pro Tem..... Mary Beth Mabry
Town Councilwoman Ann F. Dodge
Town Councilman Mark L. Johnson
Town Councilwoman Elizabeth A. Kohlmann
Town Councilman Roderick E. Smith
Town Councilman Randle M. Stevens

APPOINTED

Town Administrator Micki C. Fellner, CGCIO
Finance Officer Kimberly S. Hursey, CGFO
Town Clerk..... Debra E. Herrmann
Police Chief Michael O. Frederick, Jr.
Fire Chief..... Robert C. Packard
Planning, Building and Zoning Director Sabrina T. Morris
Public Works Director John G. Adair

Town of Surfside Beach, SC Organizational Chart - June 30, 2012



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



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

TOWN OF SURFSIDE BEACH

www.surfsidebeach.org

December 4, 2012

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

The Comprehensive Annual Financial Report of the Town of Surfside Beach for the fiscal year ended June 30, 2012, is hereby submitted for your review and information and to meet the requirements of South Carolina Law.

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

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

Harper, Poston, & Moree, P.A., Certified Public Accountants, have issued an unqualified opinion on the Town of Surfside Beach's financial statements for the year ended June 30, 2012. 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.



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, police, fire, parks and grounds, athletics, recreation and special events, a municipal court, and a public works division.

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

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

Local Economy

The Town of Surfside Beach has grown dramatically since incorporation when there were just 880 residents. The most recent Census in 2010 now reports that there are 3,837 permanent residents and the Town's summer season population grows into the tens of thousands. Significant growth and development have taken place along the Town's oceanfront in the last decade. In addition, commercial development continues to rise along the Town's business district on Surfside Drive and along US Highway 17 Business. The Town of Surfside Beach is heavily dependent on the tourism industry as related businesses pay a vast majority of the taxes and fees used to provide services to the residents. The Town's beach location continues to promote tourism-related business and redevelopment.

Tourism, South Carolina's largest industry is the element that keeps the northern coastal area of the state financially solvent. The Town of Surfside Beach, like the rest of Horry County and much of Georgetown County to the south, is dominated by tourist-related businesses, which include accommodations, food and beverage establishments, retail, golf, fishing piers, amusement and water parks, and many other attractions. The area supports numerous live entertainment theaters that feature various musical artists, comedians, and Broadway-type shows. The Town currently has three major hotels, a multitude of condominiums and second-home properties, of which most are low-density, single-family residences and classified transient rentals (i.e., short-term rentals to visitors).

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

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

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

Long-Term Financial Planning

For the fiscal year ended June 30, 2011 the Town of Surfside Beach implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". GASB is the Governmental Accounting Standards Board. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications. The classifications describe the relative strength of the spending constraints placed on the purposes for which the Town's resources can be used. Unassigned fund balance in the general fund stands at 20% of total general fund revenues. Unassigned fund balance consists of amounts that are available for any purpose. The general fund is the only fund that reports unassigned fund balance. Town Council has not set a formal fund balance policy.

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

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

Relevant Financial Policies

The Town's investment policy is to minimize risks while maintaining a competitive yield on its funds; accordingly, cash available for investing during the year was primarily managed using an IDC money market sweep arrangement with the Town's principal banking institution, First Federal of Charleston. Each night the Town's funds on deposit are evaluated and funds in excess of FDIC amount are re-invested in increments not to exceed the FDIC, which is currently \$250,000. The Town previously invested funds in the State Local Government Investment Pool but decided to close those accounts due to the low return on its investments. The State Local Government Investment Pool is a pool of funds belonging to participating local governments and is managed by the State Treasurer.

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 Century Surety for the Town's fishing pier. Employee benefits such as workers compensation, medical, dental, vision, and life insurance coverage are provided through contracts with the South Carolina Municipal Insurance Trust, United Healthcare and Guardian. Unemployment coverage is through the South Carolina Employment Security Commission. The Town does not offer any post-retirement employee benefits. COBRA benefits for our medical plans are handled by United Healthcare. COBRA benefits for our Dental and Vision plans are provided by Guardian and are handled by the Town of Surfside Beach.

Major Initiatives – Year in Review

The Town of Surfside Beach 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. This past year we continued with the Town's paving and sidewalk expansion schedule throughout the town, completing approximately two (2) miles this year.

The Town of Surfside Beach completed many major projects this year including, the Surfside Drive Streetscape project and the North Poplar Park project. The Surfside Drive Streetscape project concentrated on the west end of Surfside Drive from Poplar to the intersection at Highway 17. The project included a new center median on Surfside Drive, speed bumps, expanded sidewalks, landscaping and much needed paving and beautification of the area. The North Poplar Park is adjacent to the downtown Surfside Drive business district. Located on the corner of Poplar Drive and Surfside Drive, this park is passive in nature and features a metallic sculpture designed and created by a local artist. The sculpture was the inspiration for this year's cover photo. The park will also serve to provide extra parking for the business district and is host to the Town's first electric vehicle, plug-in

station. The Town remains committed to providing both essential and recreational facilities as well as quality services, parks, recreational activities, amenities, and events to its citizens and friends. To this end, the Town added a children's play system to Martin Park and purchased a parcel of land adjacent to the Fire Station. All of these projects were funded entirely with the use of Hospitality Tax Funds.

In an effort to maintain and preserve our greatest asset, the beach, this year we continued to improve our dune walkovers. To assist with the maintenance of our beaches we purchased both a new Barber Beach Rake and a John Deere Backhoe Loader. These purchases were funded with the use of Accommodations Tax Funds.

The Town of Surfside Beach purchased the Surfside Beach fishing pier and properties in October of 2008 and this year continued with a schedule of repairs and maintenance improvements needed to keep it operational. This ongoing investment ensures that the Surfside Beach Pier will remain a focal point for the town and continue to promote tourism. This year marked our third annual July 4th Celebration which included a grand fireworks display held at the pier. It is estimated that over 35,000 people were in attendance. In view of the fact that during the past 15 years over half the piers in the Grand Strand area have been torn down and replaced with hotels or condominiums, we are gratified that the pier purchase has succeeded in preserving a small piece of history. The Town also welcomed a new tenant, the Surf Diner, which opened its doors just before the year ended and we wish them and our bait, tackle, and gift shop tenant the best of luck for the upcoming tourist season.

The Town of Surfside Beach provides stormwater relief and education to its citizens. The Town continues its partnership with Coastal Carolina University's (CCU) water quality monitoring program. This program uses citizen volunteers that have been trained to collect water samples throughout the Town. These samples, once collected, are tested and monitored by CCU. The Town also participates in the Coastal Waccamaw Stormwater Education Consortium which helps local governments meet their NPDES Phase II requirements for stormwater education and public involvement. NPDES stands for the National Pollutant Discharge Elimination System and is considered a recommended practice for stormwater quality. This year the Town also purchased a Tymco model street sweeper. The street sweeper not only improves the aesthetics of our roadways but it also satisfies a minimum control measure requirement for NPDES. The Town's Grounds Department continues to maintain the lakes and stormwater retention areas in the Town in order to enhance the quality of life for its citizens and those who visit the Town of Surfside Beach.

Major Initiatives for the Future

The Town of Surfside Beach continues to plan for and provide both essential and recreational facilities for its citizens and friends. 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. The Town has applied for a federal highway transportation grant for the resurfacing of Highway 17. This is a matching grant and the estimate for the Town's portion of this project is \$780,000.

This coming year the town will be welcoming the South Carolina Department of Transportation or SC DOT as it begins working on the Highway 17 Beautification project. The scope of the project includes trees removal and five (5) beds of landscaping to be situated in the median of Highway 17. The project was funded through a 20% sharing grant with SCDOT. The Town also anticipates the project planned for the intersection of Highway 17, Glens Bay Road and Surfside Drive to begin next year. This project is a partnership with SC DOT and Horry County.

The Town has just been awarded a permit from SCDHEC OCRM for the addition of an ADA access ramp and parking, as well as the expansion of the pier on the ocean-side of the existing restaurant. The purpose of these improvements is to increase public access and utilization of the Town's fishing pier. The Town also plans to add amenities like Kiwi shades and seating for everyone to enjoy.

The Town continues to promote and provide for stormwater. Water quality and stormwater education continue to be a focus of our Clean Water Act/NPDES compliance. The Town will begin its eighth (8th) year of participation in both the Coastal Waccamaw Stormwater Education Consortium and Coastal Carolina University's volunteer monitoring program for water quality testing. The Town has elected to defer its north-end stormwater basin improvements until sufficient fund balance reserves are available to complete the entire project or projects.

The Town continues to rely on its staff, citizens, committees, commissions and volunteers to help improve, maintain, and promote the Town. The Town looks forward to our fiftieth (50th) anniversary coming in 2014 and will begin preparations this coming year.

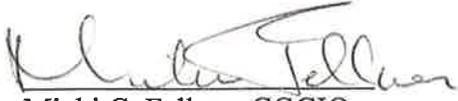
Awards and Acknowledgments

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

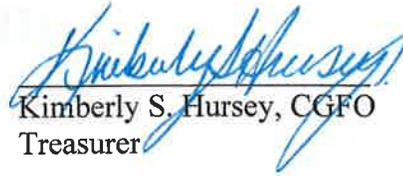
The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Surfside Beach for its comprehensive annual financial report for the fiscal year ended June 30, 2011, which was the twenty third (23) consecutive year the Town received the award. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully Submitted,



Micki C. Fellner, CGCIO
Town Administrator



Kimberly S. Hursey, CGFO
Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Surfside Beach
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Danison

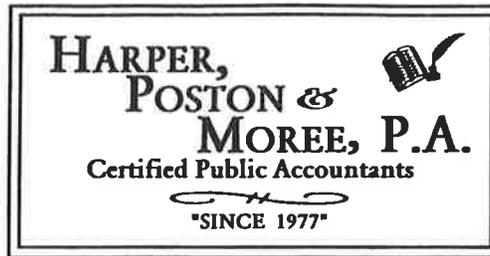
President

Jeffrey R. Enos

Executive Director

FINANCIAL SECTION





Robert D. Harper, Jr. CPA
Stacey C. Moree CPA
P. O. Box 1550
106 Wall Street, Litchfield
Pawleys Island, SC 29585
Tel (843) 237-9125
Fax (843) 237-1621
E-mail: HPM@sc.rr.com

Robin B. Poston CPA
P. O. Box 576
307 Church Street
Georgetown, SC 29442
Tel (843) 527-3413
Fax (843) 546-7277
E-mail: hpm2@sc.rr.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina, as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, 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 4, 2012

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

Our discussion and analysis of the Town of Surfside Beach, South Carolina's (the Town) financial performance provides an overview of the Town's financial activities for the year ended June 30, 2012. 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 assets of the Town exceeded its liabilities at the close of the most recent fiscal period by \$19,930,493 (net assets). Of this amount, \$2,976,739 (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 \$917,986. This is a result of an increase in net assets of our business-type activities of \$332,765, and an increase in net assets of our governmental activities of \$585,221.
- The Town's total revenues amounted to \$8,982,851 during the year ended June 30, 2012. Revenues and transfers of governmental activities totaled \$7,491,146, and revenues and transfers of our business-type activities were \$1,491,705.
- During the year ended June 30, 2012, the Town's total expenses amounted to \$8,064,865. Expenses of governmental activities totaled \$6,905,925, and expenses of our business-type activities were \$1,158,940.
- At June 30, 2012, the Town's governmental funds reported combined fund balances of \$4,747,037, a decrease of \$56,490 in comparison to the prior year.
- There was an increase in the Town's investment in capital assets for the current fiscal year of \$631,551 for governmental activities and an increase of \$166,547 for our business-type activities.
- At June 30, 2012, the Town had \$415,000 in outstanding general obligation bonds compared to \$815,000 last year, a decrease of 49.1%.

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 taxes, 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, 2012 and June 30, 2011 are shown below.

THE TOWN'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 5,456,422	\$ 5,574,092	\$ (345,766)	\$ (545,183)	\$ 5,110,656	\$ 5,028,909
Capital Assets (Net)	<u>13,612,859</u>	<u>13,451,122</u>	<u>3,200,682</u>	<u>3,034,135</u>	<u>16,813,541</u>	<u>16,485,257</u>
Total Assets	<u>\$19,069,281</u>	<u>\$19,025,214</u>	<u>\$ 2,854,916</u>	<u>\$ 2,488,952</u>	<u>\$21,924,197</u>	<u>\$21,514,166</u>
Long-Term Liabilities	\$ 833,175	\$1,280,484	\$ 14,785	\$ 12,937	\$ 847,960	\$ 1,293,421
Other Liabilities	<u>1,067,754</u>	<u>1,161,599</u>	<u>77,990</u>	<u>46,639</u>	<u>1,145,744</u>	<u>1,208,238</u>
Total Liabilities	<u>\$ 1,900,929</u>	<u>\$2,442,083</u>	<u>\$ 92,775</u>	<u>\$ 59,576</u>	<u>\$ 1,993,704</u>	<u>\$ 2,501,659</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	\$12,541,758	\$11,910,207	\$ 3,200,682	\$ 3,034,135	\$15,742,440	\$14,944,342
Restricted	1,211,314	882,459			1,211,314	882,459
Unrestricted	<u>3,415,280</u>	<u>3,790,465</u>	<u>(438,541)</u>	<u>(604,759)</u>	<u>2,976,739</u>	<u>3,185,706</u>
Total Net Assets	<u>\$17,168,352</u>	<u>\$16,583,131</u>	<u>\$ 2,762,141</u>	<u>\$ 2,429,376</u>	<u>\$19,930,493</u>	<u>\$19,012,507</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, 2012 were \$19,930,493, an increase of \$917,986 or 4.8%, from our last fiscal year end or twelve months ago. This is mainly attributable to the reduction of long-term liabilities of our governmental activities, which were reduced by \$473,147 for debt service payments. The increase in net assets is also attributable to our business type activities which had an increase in assets totaling \$365,964. Our business type activities increased cash and cash equivalents of \$255,067, had an additional \$130,334 in construction in progress, and increased other capital assets, net of depreciation by \$36,213.

A portion of the Town's net assets, currently 79.0%, 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 \$1,211,314 or 6.1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net assets, in the amount of \$2,976,739, is currently 14.9% of total net assets. Unrestricted Net Assets may be used to meet the Town's ongoing obligations to citizens and creditors.

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

Changes in the Town's net assets during the years ended June 30, 2012 and June 30, 2011 are shown below.

THE TOWN'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 567,723	\$ 563,549	\$ 1,354,164	\$ 1,427,050	\$ 1,921,887	\$ 1,990,599
Operating Grants and Contributions	593,738	159,946	7,858		601,596	159,946
Capital Grants and Contributions	355,945	243,738	162,500		518,445	243,738
General Revenues:						
Property Taxes	2,431,443	2,392,569			2,431,443	2,392,569
Local Accommodations Taxes	154,171	138,892			154,171	138,892
Business License Taxes	1,352,422	1,384,337			1,352,422	1,384,337
Franchise Taxes	572,541	577,845			572,541	577,845
Hospitality Taxes	673,177	654,897			673,177	654,897
Grants and Contributions not Restricted to Specific Programs	655,172	618,106			655,172	618,106
Investment Earnings	31,938	38,327	3,749	2,845	35,687	41,172
Gain on Disposal of Capital Assets	47,106		8,529		55,635	
Other General Revenues	<u>10,675</u>	<u>2,654</u>		<u>9,027</u>	<u>10,675</u>	<u>11,681</u>
Total Revenues	<u>\$ 7,446,051</u>	<u>\$ 6,774,860</u>	<u>\$ 1,536,800</u>	<u>\$ 1,438,922</u>	<u>\$ 8,982,851</u>	<u>\$ 8,213,782</u>

THE TOWN'S CHANGES IN NET ASSETS (continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Expenses:						
General Government	\$ 1,574,344	\$ 1,481,098	\$	\$	\$ 1,574,344	\$ 1,481,098
Public Safety	2,871,037	2,682,300			2,871,037	2,682,300
Building and Zoning	252,842	216,665			252,842	216,665
Grounds	291,739	278,869			291,739	278,869
Street	1,483,694	904,504			1,483,694	904,504
Culture and Recreation	380,666	399,827			380,666	399,827
Interest and Fiscal Charges	51,603	57,244			51,603	57,244
Sanitation			1,058,807	993,535	1,058,807	993,535
Pier			100,133	142,786	100,133	142,786
Total Expenses	<u>\$ 6,905,925</u>	<u>\$ 6,020,507</u>	<u>\$ 1,158,940</u>	<u>\$ 1,136,321</u>	<u>\$ 8,064,865</u>	<u>\$ 7,156,828</u>
Increase in Net Assets Before Transfers	\$ 540,125	\$ 754,353	\$ 377,860	\$ 302,601	\$ 917,985	\$ 1,056,954
Transfers	<u>45,095</u>	<u>96,368</u>	<u>(45,095)</u>	<u>(96,368)</u>		
Increase in Net Assets	<u>585,221</u>	<u>850,721</u>	<u>332,765</u>	<u>206,233</u>	<u>917,986</u>	<u>1,056,954</u>
Net Assets – Beginning	<u>\$16,583,131</u>	<u>\$15,732,410</u>	<u>\$ 2,429,376</u>	<u>\$ 2,223,143</u>	<u>\$19,012,507</u>	<u>\$17,955,553</u>
Net Assets - Ending	<u>\$17,168,352</u>	<u>\$16,583,131</u>	<u>\$ 2,762,141</u>	<u>\$ 2,429,376</u>	<u>\$ 19,930,493</u>	<u>\$19,012,507</u>

The Town's total revenues amounted to \$8,982,851 for the twelve months ended June 30, 2012. This is an increase of \$769,069 or 9.4%. The total cost of all programs and services was \$8,064,865 which increased by \$908,037, or 12.7%. The increase in both revenue and expenses is mainly attributable to governmental activities. The Town's street program had additional one-time expenses and revenues related to a planned underground utility wiring project on Ocean Boulevard.

Governmental Activities

The Town's net assets from governmental activities increased \$585,221, accounting for 63.7% 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, decreased from \$3,790,465 at June 30, 2011 to \$3,415,280 at the end of this year. The decrease is mainly attributable to the growth in restricted net assets for tourism promotion and support and street improvements.

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 9.9% or \$671,191, and total expenditures increased 14.7% or \$885,418. The increased revenues were mainly attributable to operating and capital grants and contributions. Operating grants increased by \$433,792 due to the reimbursement of expense from an underground utility wiring project. Capital grants increased by \$112,207 due to a reimbursement from Horry County for stormwater projects. An additional \$47,106 was realized on the gain on disposal of capital assets. The increased expenditures were mainly attributable to the costs associated with the underground wiring utility project and the Horry County stormwater projects, these expenditures were realized in the street department function. Additional increases in other governmental activity functions were attributable to increased staff salary and benefits and capital asset purchases.

The cost of all governmental activities this year was \$6,905,925. However, as shown in the statement of activities beginning on page 13, the amount that our taxpayers ultimately financed for these activities was only \$5,388,519 because some of the cost was paid by those who directly benefited from the programs (\$567,723) or by other governments and organizations that subsidized certain programs with grants and contributions (\$949,683). Overall, the Town's governmental program revenues were \$1,517,406. The Town paid for the remaining "public benefit" portion of governmental activities with general revenues and transfers from the business-type activities, some of which could only be used for certain programs, totaling \$5,973,740.

Business-Type Activities

The Town's business-type activities relate to the provision of sanitation collection services to the residents and businesses of the Town and the Surfside Beach fishing pier and properties which the Town purchased in 2008. The Town's net assets from our business-type activities increased \$332,765, which accounts for 36.3% of the total increase in the Town's net assets. The change in net assets of our business-type activities is mainly attributable to capital contributions of \$162,500 from our pier restaurant tenant, who as part of the lease agreement, made capital improvements to the building that the Town has now recognized.

Total revenue from the Town's business-type activities increased by 6.8%, or \$97,878 for the year ended June 30, 2012; this is wholly attributable to \$162,500 in capital contributions from the pier restaurant tenant.

The cost of our business-type activities this year was \$1,158,940. As shown in the statement of activities which starts on page 13, the amounts paid by users was \$1,354,164, investment earnings were \$3,749, the gain on disposal of capital assets was \$8,529, \$170,358 was subsidized by other governments and organizations with grants and other contributions and general transfers totaled (\$45,095).

The Town's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined fund balances of \$4,747,037 a decrease of (\$56,490) in comparison with the prior period. Approximately 22.9% of this total (\$1,086,252) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The General Fund is the only fund that can report unassigned fund balance. The remainders of the Town's fund balances are classified as Nonspendable, Restricted, Committed, or Assigned.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,086,252 while the total general fund balance amounted to \$3,466,132. The General Fund's fund balance decreased by (\$463,863) during the current year. The decrease is attributable to a deficiency in revenues over expenditures.

In the Accommodations Tax Fund, fund balance increased by \$6,186 to \$89,739 at fiscal year end. The increase in fund balance is attributable to greater than anticipated State Accommodations Taxes received during the period of \$85,491 and lower than anticipated expenditures of \$24,381. Approximately 13.9% of total fund balance is classified nonspendable for prepaid items (\$12,500). The remaining fund balance is restricted.

Total fund balance of the Hospitality Fund was \$794,466 at June 30, 2012, an increase of \$294,320 from the prior year. Of this total \$491,785 is restricted for tourism promotion and support, the remaining fund balance of \$302,681 is assigned for parking, land acquisition and other capital improvements. The increase is attributable to greater than anticipated hospitality tax collections of \$73,177 and lower than anticipated expenditures of \$62,309.

The Local Accommodations Tax Fund, fund balance increased by \$31,816 to \$31,874 at June 30, 2012. The Town has elected to transfer all local accommodations taxes collected to the General Fund to support public safety.

The Capital Projects Fund has a fund balance of \$349,914 at year end, an increase of \$91,138 from the prior year. The increase is attributable to the delay of a storm water project planned for this year. Town Council has committed the entire fund balance for storm water management, maintenance and improvement projects, as well as Clean Water Act compliance.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Town's Sanitation Fund at year end amounted to \$778,479. The increase in net assets of the Sanitation Fund was \$40,478; this is attributable to operating income before transfers of \$77,718 and lower than anticipated transfer to the general fund of \$36,260. Unrestricted net assets of the Town's Pier Fund at year end amounted to (\$1,083,702). Although total net assets of this fund were \$1,608,769, 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 \$342,202.

General Fund Budgetary Highlights

The original budget was amended during the fiscal year. Revenues available for appropriation were \$568,655 greater than budgeted amounts. This is directly attributable to greater than anticipated intergovernmental revenues. Intergovernmental revenues were \$585,628 greater than appropriated due to the completion of several projects that included intergovernmental reimbursements. The actual charges to appropriations (expenditures) were \$149,920 less than the final budgeted amounts. The most significant positive variances are directly attributable to the following programs; public safety \$30,048, grounds \$27,404, culture and recreation \$20,574, non-departmental \$24,304, and capital outlay \$30,138.

During the fiscal year, there was an increase in appropriations of \$725,861 between the original and final budget. This increase is mainly attributable to additional capital outlay of \$153,600 for paving town streets and \$565,636 for the underground utility wiring 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, 2012 amounted to \$16,813,541 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 \$161,737 or 1.2%, for governmental activities and an increase of \$166,547 or 5.5%, for our business-type activities.

A schedule of the Town's capital assets (net of accumulated depreciation) for the fiscal years ended June 30, 2012 and June 30, 2011 follows:

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,375,722	\$ 2,281,527	\$ 1,508,771	\$ 1,508,771	\$ 3,884,493	\$ 3,790,298
Land Improvements	991,645	611,650			991,645	611,650
Buildings and Improvements	3,076,253	3,184,461	1,038,350	921,348	4,114,603	4,105,809
Machinery, Equipment and Vehicles	2,277,088	2,171,128	499,924	580,713	2,777,012	2,751,841
Infrastructure	4,892,151	4,509,514			4,892,151	4,509,514
Construction-in-Progress		692,842	153,637	23,303	153,637	716,145
	<u>\$ 13,612,859</u>	<u>\$ 13,451,122</u>	<u>\$ 3,200,682</u>	<u>\$ 3,034,135</u>	<u>\$ 16,813,541</u>	<u>\$ 16,485,257</u>

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

Major capital asset additions during the current year ended June 30, 2012, included the following:

Street Paving	\$239,451
Surfside Drive Streetscape	212,231
Tymco Model 435 Regenerative Air Street Sweeper	125,389
North Poplar Park	114,644
Stormwater Improvements	205,318
Land	94,195
2012 John Deer 310K Backhoe Loader	71,900
600HDS Barber Surf Rake	59,065
2012 Ford F250 Truck	29,387
2011 Police Package Ford Crown Victoria	28,089
2011 Ford F150 ½ Ton 4x4 Truck	27,235

Debt

At fiscal year end, the Town had \$415,000 in outstanding general obligation bonds compared to \$815,000 last year, a decrease of 49.1%. The current bond issuance will mature on March 1, 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 415,000	\$ 815,000	\$ _____	\$ _____	\$ 415,000	\$ 815,000
Total Long-Term Debt	<u>\$ 415,000</u>	<u>\$ 815,000</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 415,000</u>	<u>\$ 815,000</u>

The Town maintains a credit rating of Aaa for general obligation bonded debt. Under current state statutes, the Town's general obligation debt issuances are subject to a legal limitation base of 8% of total assessed value. General obligation debt issued pursuant to referendum is not subject to the limitations. As of June 30, 2012, the amount of new debt, which could be issued without referendum, was \$4,346,809.

Other long-term obligations of the Town include a capital lease for financing the acquisition of a fire truck, \$658,322 and compensated absences of \$409,460. 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 2013 budget, 2012 tax rates and fees that will be charged for our business-type activities.

Some of the factors that were considered this year were the economy, tourism trends, and cost of fuel and inflation rates. These indicators were taken into account when adopting the General Fund budget for fiscal year 2013. Revenues and transfers available for appropriation in the General Fund budget are \$5,822,387, an increase of \$490,247 or 9.2% over the final fiscal year 2012 budget of \$5,332,140. The Town remains conservative in its revenue estimates due to the economy and its reliance on tourism. The increase in revenue appropriations for the general fund is due to increasing governmental transfers from Hospitality revenues. Budgeted expenditures are expected to decrease to \$6,010,200 from \$6,411,913 in fiscal year 2012; the decrease of \$401,713 or 6.7% which is directly attributable to the completion of the underground wiring utility project. The Town has added no major new programs or initiatives to the fiscal year 2013 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 2013 will remain unchanged. Revenues available for appropriation in the Sanitation and Pier Fund budgets are \$1,065,635, and \$304,773 respectively. The Town will use these revenues to finance the sanitation services programs we currently offer and to finance the repairs and maintenance of the fishing pier to the effect that we expect inflation to have on such costs. Budgeted operating expenses of the Sanitation and Pier Funds are \$1,124,437 and \$135,193 respectively in fiscal year 2013.

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, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,220,179	\$ 868,453	\$ 4,088,632
Receivables (Net of Allowance)	718,669	223,099	941,768
Internal Balances	1,437,318	(1,437,318)	
Inventories	1,296		1,296
Prepaid Assets	26,279		26,279
Deferred Bond Issuance Costs (Net)	5,537		5,537
Restricted Cash and Cash Equivalents	47,144		47,144
Land	2,375,722	1,508,771	3,884,493
Construction in Progress		153,637	153,637
Other Capital Assets (Net)	11,237,137	1,538,274	12,775,411
Total Assets	\$ 19,069,281	\$ 2,854,916	\$ 21,924,197
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 269,350	\$ 62,403	\$ 331,753
Accrued Salaries	117,446		117,446
Accrued Interest Payable	16,800		16,800
Liabilities Payable From Restricted Assets	47,144		47,144
Noncurrent Liabilities:			
Due Within One Year	617,014	15,587	632,601
Due in More Than One Year	833,175	14,785	847,960
Total Liabilities	\$ 1,900,929	\$ 92,775	\$ 1,993,704
NET ASSETS			
Invested In Capital Assets, Net of Related Debt	\$ 12,541,758	\$ 3,200,682	\$ 15,742,440
Restricted For Tourism Promotion and Support	620,103		620,103
Restricted For Public Safety and Drug Enforcement	35,178		35,178
Restricted For Street Improvements	556,033		556,033
Unrestricted	3,415,280	(438,541)	2,976,739
Total Net Assets	\$ 17,168,352	\$ 2,762,141	\$ 19,930,493

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,574,344	\$ 112,164	\$ 28,718	\$ 124,889
Public Safety	2,871,037	239,369	8,006	
Building and Zoning	252,842	165,269		
Grounds	291,739			
Street	1,483,694		521,414	231,056
Culture and Recreation	380,666	50,921	35,600	
Interest and Fiscal Charges	51,603			
Total Governmental Activities	\$ 6,905,925	\$ 567,723	\$ 593,738	\$ 355,945
Business-Type Activities:				
Sanitation	\$ 1,058,807	\$ 1,067,403	\$ 7,858	\$
Pier	100,133	286,761		162,500
Total Business-Type Activities	\$ 1,158,940	\$ 1,354,164	\$ 7,858	\$ 162,500
Total	\$ 8,064,865	\$ 1,921,887	\$ 601,596	\$ 518,445

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

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
\$ (1,308,573)	\$	\$ (1,308,573)
(2,623,662)		(2,623,662)
(87,573)		(87,573)
(291,739)		(291,739)
(731,224)		(731,224)
(294,145)		(294,145)
(51,603)		(51,603)
<u>\$ (5,388,519)</u>	<u>\$</u>	<u>\$ (5,388,519)</u>
\$	\$ 16,454	\$ 16,454
	349,128	349,128
<u>\$</u>	<u>\$ 365,582</u>	<u>\$ 365,582</u>
<u>\$ (5,388,519)</u>	<u>\$ 365,582</u>	<u>\$ (5,022,937)</u>
\$ 2,431,443	\$	\$ 2,431,443
154,171		154,171
1,352,422		1,352,422
572,541		572,541
673,177		673,177
655,172		655,172
31,938	3,749	35,687
47,106	8,529	55,635
10,675		10,675
45,095	(45,095)	
<u>\$ 5,973,740</u>	<u>\$ (32,817)</u>	<u>\$ 5,940,923</u>
\$ 585,221	\$ 332,765	\$ 917,986
<u>16,583,131</u>	<u>2,429,376</u>	<u>19,012,507</u>
<u>\$ 17,168,352</u>	<u>\$ 2,762,141</u>	<u>\$ 19,930,493</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General Fund</u>	<u>Accommodations Tax Fund</u>	<u>Hospitality Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,177,278	\$	\$ 674,897
Receivables (Net):			
Property Taxes	126,083		
Hospitality Taxes			122,347
Local Accommodations Taxes			
Business Licenses	40,119		
Intergovernmental	258,684	139,814	
Due From Other Funds	6,705		
Inventories	1,296		
Prepaid Assets	13,779	12,500	
Advances To Other Funds	1,304,000		
Restricted Cash and Cash Equivalents	34,729		
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,962,673</u>	<u>\$ 152,314</u>	<u>\$ 797,244</u>

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

<u>Local Accommodations Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ 300	\$ 352,792	\$ 14,912	\$ 3,220,179
			126,083
			122,347
31,622			31,622
			40,119
			398,498
			6,705
			1,296
			26,279
			1,304,000
		12,415	47,144
<u>\$ 31,922</u>	<u>\$ 352,792</u>	<u>\$ 27,327</u>	<u>\$ 5,324,272</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Accommodations Tax Fund	Hospitality Fund
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 207,776	\$ 55,870	\$ 2,778
Accrued Salaries	117,446		
Compensated Absences Payable	363		
Due To Other Funds		6,705	
Payable From Restricted Assets:			
Bail Bonds	34,129		
Drug Funds			
Other Deposits Held	600		
Deferred Revenue	136,227		
Total Liabilities	\$ 496,541	\$ 62,575	\$ 2,778
Fund Balances:			
Nonspendable:			
Inventories	\$ 1,296		\$
Prepaid Items	13,779	12,500	
Advances	1,304,000		
Restricted for:			
Victim's Advocate Program	20,266		
Street Improvements	556,033		
Tourism Promotion and Support		77,239	491,785
Drug Enforcement Program			
Committed to:			
Capital Replacements	484,506		
Storm Water Projects			
Assigned to:			
Land, Meters, and Parking Purposes			302,681
Unassigned	1,086,252		
Total Fund Balances	\$ 3,466,132	\$ 89,739	\$ 794,466
Total Liabilities and Fund Balances	\$ 3,962,673	\$ 152,314	\$ 797,244

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

<u>Local Accommodations Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ 48	\$ 2,878	\$	\$ 269,350
			117,446
			363
			6,705
			34,129
		12,415	12,415
			600
			136,227
<u>\$ 48</u>	<u>\$ 2,878</u>	<u>\$ 12,415</u>	<u>\$ 577,235</u>
\$	\$	\$	\$ 1,296
			26,279
			1,304,000
			20,266
			556,033
31,874			600,898
		14,912	14,912
			484,506
	349,914		349,914
			302,681
			1,086,252
<u>\$ 31,874</u>	<u>\$ 349,914</u>	<u>\$ 14,912</u>	<u>\$ 4,747,037</u>
<u>\$ 31,922</u>	<u>\$ 352,792</u>	<u>\$ 27,327</u>	<u>\$ 5,324,272</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total Fund Balances - Total Governmental Funds	\$	4,747,037
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		13,612,859
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		136,227
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.		133,318
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,461,089)</u>
Net Assets of Governmental Activities	\$	<u><u>17,168,352</u></u>

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



**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

	General Fund	Accommodations Tax Fund	Hospitality Fund
REVENUES			
Property Taxes	\$ 2,133,434	\$	\$
Franchise Fees	572,541		
Hospitality Taxes			673,177
Local Accommodations Taxes			
Licenses and Permits	1,520,321		
Fines and Forfeitures	217,545		
Intergovernmental	892,348	535,491	8,000
Other	128,606	4,316	114,031
Total Revenues	\$ 5,464,795	\$ 539,807	\$ 795,208
EXPENDITURES			
Current:			
General Government	\$ 1,087,983	\$	\$ 4,300
Public Safety	2,287,590	68,836	124,369
Building and Zoning	249,312		
Grounds	217,888	11,364	17,645
Street	1,191,276	47,455	
Intragovernmental Maintenance	115,123		
Culture and Recreation	243,967	63,644	37,493
Non-Departmental	99,106	185,019	
Capital Outlay	252,462	110,398	210,988
Debt Service:			
Principal	473,147		
Interest	43,139		
Agent Fees	1,000		
Total Expenditures	\$ 6,261,993	\$ 486,716	\$ 394,795
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (797,198)	\$ 53,091	\$ 400,413
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 357,345	\$	\$ 43,907
Transfers Out	(43,907)	(49,089)	(150,000)
Proceeds From Sale of Capital Assets	19,897	2,184	
Total Other Financing Sources (Uses)	\$ 333,335	\$ (46,905)	\$ (106,093)
Net Change in Fund Balances	\$ (463,863)	\$ 6,186	\$ 294,320
Beginning Fund Balance	3,929,995	83,553	500,146
Ending Fund Balance	\$ 3,466,132	\$ 89,739	\$ 794,466

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

Local Accommodations Tax Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
\$	\$ 297,855	\$	\$ 2,431,289
			572,541
			673,177
154,171			154,171
			1,520,321
			217,545
	124,889	2,221	1,562,949
241	912	41	248,147
<u>\$ 154,412</u>	<u>\$ 423,656</u>	<u>\$ 2,262</u>	<u>\$ 7,380,140</u>
\$	\$	\$	\$ 1,092,283
		18,349	2,499,144
			249,312
	16,526		263,423
	35,953		1,274,684
			115,123
			345,104
			284,125
	280,039		853,887
			473,147
			43,139
			1,000
<u>\$</u>	<u>\$ 332,518</u>	<u>\$ 18,349</u>	<u>\$ 7,494,371</u>
\$ 154,412	\$ 91,138	\$ (16,087)	\$ (114,231)
\$	\$	\$	\$ 401,252
(122,596)			(365,592)
			22,081
<u>\$ (122,596)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 57,741</u>
\$ 31,816	\$ 91,138	\$ (16,087)	\$ (56,490)
58	258,776	30,999	4,803,527
<u>\$ 31,874</u>	<u>\$ 349,914</u>	<u>\$ 14,912</u>	<u>\$ 4,747,037</u>

**TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (56,490)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 139,532

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the capital assets sold or otherwise disposed of. 22,205

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 31,060

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. 49,915

Repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities. 473,147

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. (74,148)

Change in Net Assets of Governmental Activities \$ 585,221

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, 2012

	<u>Sanitation Enterprise Fund</u>	<u>Pier Enterprise Fund</u>	<u>Total Enterprise Funds</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 637,449	\$ 231,004	\$ 868,453
Accounts Receivables (Net)	203,956	19,143	223,099
Total Current Assets	<u>\$ 841,405</u>	<u>\$ 250,147</u>	<u>\$ 1,091,552</u>
Noncurrent Assets:			
Land	\$	\$ 1,508,771	\$ 1,508,771
Construction in Progress		153,637	153,637
Other Capital Assets (Net)	508,211	1,030,063	1,538,274
Total Noncurrent Assets	<u>\$ 508,211</u>	<u>\$ 2,692,471</u>	<u>\$ 3,200,682</u>
Total Assets	<u>\$ 1,349,616</u>	<u>\$ 2,942,618</u>	<u>\$ 4,292,234</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 32,554	\$ 29,849	\$ 62,403
Compensated Absences	15,587		15,587
Total Current Liabilities	<u>\$ 48,141</u>	<u>\$ 29,849</u>	<u>\$ 77,990</u>
Noncurrent Liabilities:			
Compensated Absences	\$ 14,785	\$	\$ 14,785
Advances From Other Fund		1,304,000	1,304,000
Total Noncurrent Liabilities	<u>\$ 14,785</u>	<u>\$ 1,304,000</u>	<u>\$ 1,318,785</u>
Total Liabilities	<u>\$ 62,926</u>	<u>\$ 1,333,849</u>	<u>\$ 1,396,775</u>
NET ASSETS			
Invested in Capital Assets	\$ 508,211	\$ 2,692,471	\$ 3,200,682
Unrestricted	<u>778,479</u>	<u>(1,083,702)</u>	<u>(305,223)</u>
Total Net Assets	<u>\$ 1,286,690</u>	<u>\$ 1,608,769</u>	2,895,459
Adjustment to reflect vehicle maintenance allocation from governmental activities.			<u>(133,318)</u>
Net Assets of Business-Type Activities			<u>\$ 2,762,141</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	<u>Sanitation Enterprise Fund</u>	<u>Pier Enterprise Fund</u>	<u>Total Enterprise Funds</u>
OPERATING REVENUES			
Charges for Services	\$ 1,067,403	\$ 286,761	\$ 1,354,164
OPERATING EXPENSES			
Personnel Service and Related Expenses	\$ 489,119	\$ 3,526	\$ 492,645
Maintenance and Service Contracts	383,911		383,911
Materials and Supplies	21,699	31	21,730
Repairs and Maintenance	491	5,750	6,241
Depreciation	85,866	59,495	145,361
Other Operating Expenses	27,806	9,294	37,100
Total Operating Expenses	<u>\$ 1,008,892</u>	<u>\$ 78,096</u>	<u>\$ 1,086,988</u>
Operating Income (Loss)	<u>\$ 58,511</u>	<u>\$ 208,665</u>	<u>\$ 267,176</u>
NONOPERATING REVENUES			
Interest Earnings	\$ 2,820	\$ 929	\$ 3,749
Grant Revenue	7,858		7,858
Interest Expense		(22,037)	(22,037)
Gain (Loss) on Disposal of Assets	8,529		8,529
Total Nonoperating Revenues	<u>\$ 19,207</u>	<u>\$ (21,108)</u>	<u>\$ (1,901)</u>
Income (Loss) Before Transfers and Capital Contributions	\$ 77,718	\$ 187,557	\$ 265,275
Capital Contributions		162,500	162,500
Transfers Out	<u>(37,240)</u>	<u>(7,855)</u>	<u>(45,095)</u>
Change in Net Assets	\$ 40,478	\$ 342,202	\$ 382,680
Total Net Assets - Beginning	<u>1,246,212</u>	<u>1,266,567</u>	
Total Net Assets - Ending	<u><u>\$ 1,286,690</u></u>	<u><u>\$ 1,608,769</u></u>	
Adjustment to reflect vehicle maintenance allocation from governmental activities.			<u>(49,915)</u>
Change in Net Assets of Business-Type Activities			<u><u>\$ 332,765</u></u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	<u>Sanitation Enterprise Fund</u>	<u>Pier Enterprise Fund</u>	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,086,053	\$ 273,846	\$ 1,359,899
Payments to Suppliers	(418,009)	14,082	(403,927)
Payments to Employees	(500,975)	(3,526)	(504,501)
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 167,069</u>	<u>\$ 284,402</u>	<u>\$ 451,471</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Nonoperating Grants Received	\$ 7,858	\$	\$ 7,858
Transfers Out	(27,805)	(7,855)	(35,660)
Net Cash and Cash Equivalents (Used) by Noncapital Financing Activities	<u>\$ (19,947)</u>	<u>\$ (7,855)</u>	<u>\$ (27,802)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	\$ (19,252)	\$ (139,591)	\$ (158,843)
Proceeds from Disposal of Capital Assets	8,529		8,529
Interest Paid on Interfund Loan to General Fund		(22,037)	(22,037)
Net Cash and Cash Equivalents (Used) by Capital and Related Financing Activities	<u>\$ (10,723)</u>	<u>\$ (161,628)</u>	<u>\$ (172,351)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	\$ 2,820	\$ 929	\$ 3,749
Net Cash and Cash Equivalents Provided by Investing Activities	<u>\$ 2,820</u>	<u>\$ 929</u>	<u>\$ 3,749</u>
Net Increase in Cash and Cash Equivalents	\$ 139,219	\$ 115,848	\$ 255,067
Cash and Cash Equivalents - Beginning	<u>498,230</u>	<u>115,156</u>	<u>613,386</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 637,449</u></u>	<u><u>\$ 231,004</u></u>	<u><u>\$ 868,453</u></u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	<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)	\$ 58,511	\$ 208,665	\$ 267,176
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Cash Equivalents Provided by Operating Activities:			
Depreciation	85,866	59,495	145,361
(Increase) Decrease in Accounts Receivable (Net)	18,650	(12,915)	5,735
Increase (Decrease) in Accounts Payable and Accrued Expenses	3,490	29,157	32,647
Increase (Decrease) in Compensated Absences	552		552
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 167,069</u>	<u>\$ 284,402</u>	<u>\$ 451,471</u>

Noncash Investing, Capital, and Financing Activities

Contribution of Capital Assets	\$ <u> </u>	\$ <u>162,500</u>	\$ <u>162,500</u>
Transfer of Capital Assets to Government	\$ <u>9,435</u>	\$ <u> </u>	\$ <u>9,435</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, 2012

ASSETS

Cash and Cash Equivalents	\$ <u>73,469</u>
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LIABILITIES

Due to Firemen's Association	\$ <u>73,469</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, 2012

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, 2012

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, 2012

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% tax 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, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

E. Cash and Investments

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

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Receivables

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

G. Interfund Activity

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

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

H. Inventories

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

I. Prepaid Assets

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

J. Restricted Assets

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

K. Capital Assets

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

L. Compensated Absences

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

M. Long-Term Obligations

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

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

N. Equity Classifications

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

In the governmental fund financial statements, equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

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

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

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

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

O. Revenues and Expenses

Real property and all personal property other than vehicles are assessed for property tax purposes as of January 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 (\$1,461,089) follows:

Bonds Payable (Net)	\$ (412,779)
Capital Leases Payable	(658,322)
Compensated Absences	(378,725)
Accrued Interest Payable	(16,800)
Deferred Bond Issuance Costs (Net)	<u>5,537</u>
Total	<u>\$ (1,461,089)</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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 (\$139,532) is comprised of the following:

Depreciation Expense	\$	(714,355)
Capital Outlay, Net of Trade-In Allowance		<u>853,887</u>
Total	\$	<u><u>139,532</u></u>

Another element of the reconciliation that relates to expenses that do not require the use of current financial resources (\$74,149) is comprised of the following:

Compensated Absences	\$	(66,684)
Accrued Interest		4,177
Amortization of Bond Issuance Costs		(8,308)
Amortization of Bond Premium		3,617
Amortization of Loss on Advance Refunding		<u>(6,950)</u>
Total	\$	<u><u>(74,148)</u></u>

Note 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

The legal level of budget control is at the fund level. Thus, expenditures may not legally exceed appropriations, including supplemental appropriations, for an individual fund. For the year ended June 30, 2012, expenditures did not exceed appropriations for any of the Town's individual funds.

B. Deficit Fund Equity

At June 30, 2012, none of the Town's individual funds have fund equity deficits.

Note 4 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2012, the carrying amount of the Town's deposits with financial institutions was \$4,206,220 and the corresponding bank balance was \$4,271,319. Cash on hand was \$3,025.

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, 2012, none of the Town's bank balances were exposed to custodial credit risk.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 4 - DEPOSITS AND INVESTMENTS (continued)

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.

Note 5 - RECEIVABLES

Receivables at June 30, 2012 for individual major funds and non-major funds in the aggregate, 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>	<u>Totals</u>
Governmental Activities:					
Property Taxes	\$ 228,090	\$	\$	\$	\$ 228,090
Hospitality Taxes			122,347		122,347
Local A-Taxes				31,622	31,622
Business Licenses	40,119				40,119
Intergovernmental	<u>258,684</u>	<u>139,814</u>			<u>398,498</u>
	\$ 526,893	\$ 139,814	\$ 122,347	\$ 31,622	\$ 820,676
Allowance	<u>(102,007)</u>				<u>(102,007)</u>
Net Receivables	<u>\$ 424,886</u>	<u>\$ 139,814</u>	<u>\$ 122,347</u>	<u>\$ 31,622</u>	<u>\$ 718,669</u>
			<u>Sanitation Fund</u>	<u>Pier Fund</u>	<u>Totals</u>
Business-Type Activities:					
Customer Accounts			\$ 205,456	\$ 19,143	\$ 224,599
			\$ 205,456	\$ 19,143	\$ 224,599
Allowance			<u>(1,500)</u>		<u>(1,500)</u>
Net Receivables			<u>\$ 203,956</u>	<u>\$ 19,143</u>	<u>\$ 223,099</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.

During the current fiscal year, the Town changed its billing policy for summer/winter sanitation services to bill in arrears. This change resulted in an approximate decrease of \$30,000 in revenues for the current year.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012, interfund receivables and payables from interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 6,705	\$
Accommodations Tax Fund		6,705
Total	\$ 6,705	\$ 6,705
	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 to be repaid over a term of ten years in annual installments of \$163,000 plus interest at 2.00%. On June 14, 2011, the Town adopted a resolution to defer principal repayment for the next two years. After this two year period, principal payments will resume as scheduled.

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

	Transfers In	Transfers Out
General Fund	\$ 357,345	\$ 43,907
Accommodations Tax Fund		49,089
Hospitality Fund	43,907	150,000
Local Accommodations Tax Fund		122,596
Sanitation Fund		37,240
Pier Fund		7,855
Total	\$ 401,252	\$ 410,687

During the current fiscal year, the Town transferred Sanitation Fund capital assets with a net book value of \$9,435 to the General Fund. The net book value of the capital asset was reported as a transfer out in the Sanitation Fund. Because governmental funds do not report capital asset activity, no corresponding entry was made to record the contribution of the asset in the General Fund.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7 - RESTRICTED CASH AND CASH EQUIVALENTS

The Town's restricted cash and cash equivalents consisted of the following at June 30, 2012:

	General Fund	Non-Major Governmental Fund	Totals
Governmental Activities:			
Bail Bonds	\$ 34,129	\$	\$ 34,129
Drug Funds		12,415	12,415
Other Deposits Held	600		600
Total	\$ 34,729	\$ 12,415	\$ 47,144

Note 8 - CAPITAL ASSETS

The Town's capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Depreciated:				
Land	\$ 2,281,527	\$ 94,195	\$	\$ 2,375,722
Construction in Progress	692,842	301,310	(994,152)	-
	<u>\$ 2,974,369</u>	<u>\$ 395,505</u>	<u>\$ (994,152)</u>	<u>\$ 2,375,722</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 941,776	\$ 433,100	\$	\$ 1,374,876
Building Improvements	3,909,527			3,909,527
Machinery, Equipment & Vehicles	4,375,566	449,791	(259,914)	4,565,443
Infrastructure	5,397,254	603,544		6,000,798
	<u>\$ 14,624,123</u>	<u>\$ 1,486,435</u>	<u>\$ (259,914)</u>	<u>\$ 15,850,644</u>
Less Accumulated Depreciation for:				
Land Improvements	\$ (330,126)	\$ (53,105)	\$	\$ (383,231)
Building Improvements	(725,066)	(108,208)		(833,274)
Machinery, Equipment & Vehicles	(2,204,438)	(332,135)	248,218	(2,288,355)
Infrastructure	(887,740)	(220,907)		(1,108,647)
	<u>\$ (4,147,370)</u>	<u>\$ (714,355)</u>	<u>\$ 248,218</u>	<u>\$ (4,613,507)</u>
Capital Assets (Net)	<u>\$ 13,451,122</u>	<u>\$ 1,167,585</u>	<u>\$ (1,005,848)</u>	<u>\$ 13,612,859</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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>23,303</u>	<u>130,334</u>		<u>153,637</u>
	<u>\$ 1,532,074</u>	<u>\$ 130,334</u>		<u>\$ 1,662,408</u>
Capital Assets Being Depreciated:				
Buildings	\$ 1,083,987	\$ 171,756	\$	\$ 1,255,743
Machinery, Equipment and Vehicles	<u>1,109,071</u>	<u>19,253</u>	<u>(25,914)</u>	<u>1,102,410</u>
	<u>\$ 2,193,058</u>	<u>\$ 191,009</u>	<u>\$ (25,914)</u>	<u>\$ 2,358,153</u>
Less Accumulated Depreciation for:				
Buildings	\$ (162,639)	\$ (54,754)	\$	\$ (217,393)
Machinery, Equipment and Vehicles	<u>(528,358)</u>	<u>(90,607)</u>	<u>16,479</u>	<u>(602,486)</u>
	<u>\$ (690,997)</u>	<u>\$ (145,361)</u>	<u>\$ 16,479</u>	<u>\$ (819,879)</u>
Capital Assets (Net)	<u>\$ 3,034,135</u>	<u>\$ 175,982</u>	<u>\$ (9,435)</u>	<u>\$ 3,200,682</u>

Increases and decreases provided in the above schedules include interdepartmental transfers of assets within the government at net book value.

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

Governmental Activities:	
General Government	\$ 190,496
Public Safety	296,698
Building and Zoning	2,135
Grounds	22,324
Street	171,217
Culture and Recreational	<u>31,485</u>
Total	<u>\$ 714,355</u>
Business-Type Activities:	
Sanitation	\$ 85,866
Pier	<u>59,495</u>
Total	<u>\$ 145,361</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>General Fund</u>
Unavailable:	
Property Taxes	\$ 105,321
Underground Wire Revenues	30,906
Total Unavailable	\$ 136,227
Total Deferred Revenue	\$ 136,227

Note 10 - LONG-TERM LIABILITIES

A. Governmental Activities – General Obligation Bonds

General obligation bonds issued for governmental activities and currently outstanding at June 30, 2012, are as follows:

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding</u>
General Obligation Bonds:				
Refunding Series 2004	\$ 3,165,000	2.0 - 3.0%	03/01/13	\$ 415,000

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2013	\$ 415,000	\$ 12,450	\$ 427,450
Total	\$ 415,000	\$ 12,450	\$ 427,450

B. Governmental Activities – Capital Leases

Capital leases entered into for governmental activities and currently outstanding at June 30, 2012, are as follows:

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding</u>
Capital Leases:				
Fire Truck Lease Purchase (2010)	\$ 731,469	2.52%	10/01/20	\$ 658,322

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10 - LONG-TERM LIABILITIES (continued)

The Town has entered into a lease agreement as lessee for financing the acquisition of a fire truck. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the net present value of future minimum lease payments. The gross amount of the asset recorded under the capital lease at June 30, 2012 for governmental activities is \$738,532 with corresponding accumulated depreciation of \$63,939. This asset is classified as machinery, equipment and vehicles in the financial statements.

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 73,147	\$ 16,866	\$ 90,013
2014	73,147	14,951	88,098
2015	73,147	13,082	86,229
2016	73,147	11,213	84,360
2017	73,147	9,370	82,517
2017 - 2020	<u>292,587</u>	<u>18,695</u>	<u>311,282</u>
Total	<u>\$ 658,322</u>	<u>\$ 84,177</u>	<u>\$ 742,499</u>

C. Changes in Long-Term Liabilities

The Town's long-term liability activity for the year ended June 30, 2012 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	\$ 815,000		\$ (400,000)	\$ 415,000	\$ 415,000
Premium	6,028		(3,617)	2,411	
Loss on Refunding	<u>(11,582)</u>		<u>6,950</u>	<u>(4,632)</u>	
Total Bonds Payable	\$ 809,446		\$ (396,667)	\$ 412,779	\$ 415,000
Capital Leases	731,469		(73,147)	658,322	73,147
Compensated Absences	<u>312,041</u>	<u>215,127</u>	<u>(148,080)</u>	<u>379,088</u>	<u>128,867</u>
Total	<u>\$ 1,852,956</u>	<u>\$ 215,127</u>	<u>\$ (617,894)</u>	<u>\$ 1,450,189</u>	<u>\$ 617,014</u>
Business-Type Activities:					
Compensated Absences	<u>\$ 29,820</u>	<u>\$ 27,579</u>	<u>\$ (27,027)</u>	<u>\$ 30,372</u>	<u>\$ 15,587</u>

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11 - OPERATING LEASE

In January of 2012, the Town entered into a non-cancelable operating lease agreement as lessor of building (restaurant) facilities on the pier. The lease is for a period of five (5) years with an option to extend for three consecutive periods of five (5) years each. As part of the agreement, the lessee receives a prorated annual credit of the total cost of capital leasehold improvements made to the property of \$162,500.

The original cost and related improvements of the restaurant facilities are included with building and improvements of the Pier Enterprise Fund of \$1,205,186 with accumulated depreciation of \$191,924.

The rental income recognized for the lease for the current fiscal year was \$10,233. Future minimum lease payments to be received on the lease for the first five (5) year term is as follows.

Year Ending June 30,		
2013	\$	24,774
2014		29,774
2015		34,774
2016		39,774
2017		44,774
Total	\$	173,870

Note 12 - 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.

B. Funding Policy

Members of the PORS and SCRS are required to contribute at rates of 6.50% of their covered wages. The Town is required to contribute at actuarially determined rates, currently 11.563% of PORS member wages and 9.535% 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, 2012, June 30, 2011, and June 30, 2010 were \$144,582, \$122,690, and \$142,963, respectively. The Town's contributions to the SCRS for the fiscal periods ended June 30, 2012, June 30, 2011, and June 30, 2010 were \$178,619, \$159,250, and \$203,410, respectively. The contributions made by the Town to the PORS and SCRS, as shown above, were equal to the required contributions for each period.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 13 - 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, 2012, June 30, 2011, and June 30, 2010. 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 14 - 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 15 - NET ASSETS RESTRICTIONS

The Town has restricted net assets in the amount of \$620,103 for tourism promotion and support. Of this amount, \$523,659 has been restricted through enabling legislation to be financed by the Town's local hospitality and accommodations taxes.

Note 16 - CONSTRUCTION COMMITMENTS

The Town has one active construction project as of June 30, 2012. This project includes the remaining construction for the underground utility project on Ocean Boulevard.

As of June 30, 2012, the Town's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>	<u>Estimated Completion Date</u>
Underground Utility Conversion	\$ 565,636	\$ 266,000	March 2013
Total	<u>\$ 565,636</u>	<u>\$ 266,000</u>	

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 2,184,000	\$ 2,184,000	\$ 2,133,434	\$ (50,566)
Franchise Fees	564,600	564,600	572,541	7,941
Licenses and Permits	1,493,000	1,493,000	1,520,321	27,321
Fines and Forfeitures	235,000	235,000	217,545	(17,455)
Intergovernmental	306,720	306,720	892,348	585,628
Other	112,820	112,820	128,606	15,786
Total Revenues	<u>\$ 4,896,140</u>	<u>\$ 4,896,140</u>	<u>\$ 5,464,795</u>	<u>\$ 568,655</u>
EXPENDITURES				
Current:				
General Government	\$ 1,081,784	\$ 1,081,784	\$ 1,087,983	\$ (6,199)
Public Safety	2,317,638	2,317,638	2,287,590	30,048
Building and Zoning	250,923	257,548	249,312	8,236
Grounds	245,292	245,292	217,888	27,404
Street	635,231	1,200,867	1,191,276	9,591
Intragovernmental Maintenance	122,690	122,690	115,123	7,567
Culture and Recreation	264,541	264,541	243,967	20,574
Non-Departmental	123,410	123,410	99,106	24,304
Capital Outlay	129,000	282,600	252,462	30,138
Debt Service:				
Principal	473,147	473,147	473,147	
Interest	41,316	41,316	43,139	(1,823)
Agent Fees	1,080	1,080	1,000	80
Total Expenditures	<u>\$ 5,686,052</u>	<u>\$ 6,411,913</u>	<u>\$ 6,261,993</u>	<u>\$ 149,920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (789,912)</u>	<u>\$ (1,515,773)</u>	<u>\$ (797,198)</u>	<u>\$ 718,575</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 411,000	\$ 411,000	\$ 357,345	\$ (53,655)
Transfers Out	(85,000)	(45,000)	(43,907)	1,093
Proceeds From Sale of Capital Assets	25,000	25,000	19,897	(5,103)
Total Other Financing Sources (Uses)	<u>\$ 351,000</u>	<u>\$ 391,000</u>	<u>\$ 333,335</u>	<u>\$ (57,665)</u>
Net Change in Fund Balances	<u>\$ (438,912)</u>	<u>\$ (1,124,773)</u>	<u>\$ (463,863)</u>	<u>\$ 660,910</u>
Fund Balances - Beginning	<u>3,929,995</u>	<u>3,929,995</u>	<u>3,929,995</u>	
Fund Balances - Ending	<u><u>\$ 3,491,083</u></u>	<u><u>\$ 2,805,222</u></u>	<u><u>\$ 3,466,132</u></u>	<u><u>\$ 660,910</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
ACCOMMODATIONS TAX FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 450,000	\$ 450,000	\$ 535,491	\$ 85,491
Other	20,000	20,000	4,316	(15,684)
Total Revenues	\$ 470,000	\$ 470,000	\$ 539,807	\$ 69,807
EXPENDITURES				
Current:				
Public Safety	\$ 93,234	\$ 93,234	\$ 68,836	\$ 24,398
Grounds	13,876	13,876	11,364	2,512
Street	47,760	47,760	47,455	305
Culture and Recreation	70,227	70,227	63,644	6,583
Non-Departmental	152,000	178,500	185,019	(6,519)
Capital Outlay	60,000	107,500	110,398	(2,898)
Total Expenditures	\$ 437,097	\$ 511,097	\$ 486,716	\$ 24,381
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 32,903	\$ (41,097)	\$ 53,091	\$ 94,188
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 25,000	\$ 25,000	\$	\$ (25,000)
Transfers Out	(44,250)	(48,000)	(49,089)	(1,089)
Proceeds From Sale of Capital Assets			2,184	2,184
Total Other Financing Sources (Uses)	\$ (19,250)	\$ (23,000)	\$ (46,905)	\$ (23,905)
Net Change in Fund Balances	\$ 13,653	\$ (64,097)	\$ 6,186	\$ 70,283
Fund Balances - Beginning	83,553	83,553	83,553	
Fund Balances - Ending	\$ 97,206	\$ 19,456	\$ 89,739	\$ 70,283

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
HOSPITALITY FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Hospitality Taxes	\$ 600,000	\$ 600,000	\$ 673,177	\$ 73,177
Intergovernmental			8,000	8,000
Other	125,000	125,000	114,031	(10,969)
Total Revenues	<u>\$ 725,000</u>	<u>\$ 725,000</u>	<u>\$ 795,208</u>	<u>\$ 70,208</u>
EXPENDITURES				
Current:				
General Government	\$ 3,526	\$ 3,526	\$ 4,300	\$ (774)
Public Safety	159,778	159,778	124,369	35,409
Grounds	25,000	25,000	17,645	7,355
Culture and Recreation	26,600	36,600	37,493	(893)
Capital Outlay	128,700	232,200	210,988	21,212
Total Expenditures	<u>\$ 343,604</u>	<u>\$ 457,104</u>	<u>\$ 394,795</u>	<u>\$ 62,309</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 381,396</u>	<u>\$ 267,896</u>	<u>\$ 400,413</u>	<u>\$ 132,517</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 85,000	\$ 85,000	\$ 43,907	\$ (41,093)
Transfers Out	(100,000)	(150,000)	(150,000)	
Total Other Financing Sources (Uses)	<u>\$ (15,000)</u>	<u>\$ (65,000)</u>	<u>\$ (106,093)</u>	<u>\$ (41,093)</u>
Net Change in Fund Balances	<u>\$ 366,396</u>	<u>\$ 202,896</u>	<u>\$ 294,320</u>	<u>\$ 91,424</u>
Fund Balances - Beginning	<u>500,146</u>	<u>500,146</u>	<u>500,146</u>	
Fund Balances - Ending	<u><u>\$ 866,542</u></u>	<u><u>\$ 703,042</u></u>	<u><u>\$ 794,466</u></u>	<u><u>\$ 91,424</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL ACCOMMODATIONS TAX FUND
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Accommodations Taxes	\$ 140,000	\$ 140,000	\$ 154,171	\$ 14,171
Other			241	241
Total Revenues	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 154,412</u>	<u>\$ 14,412</u>
OTHER FINANCING (USES)				
Transfers Out	<u>\$ (140,000)</u>	<u>\$ (140,000)</u>	<u>\$ (122,596)</u>	<u>\$ 17,404</u>
Net Change in Fund Balances	\$	\$	\$ 31,816	\$ 31,816
Fund Balances - Beginning	<u>58</u>	<u>58</u>	<u>58</u>	
Fund Balances - Ending	<u><u>\$ 58</u></u>	<u><u>\$ 58</u></u>	<u><u>\$ 31,874</u></u>	<u><u>\$ 31,816</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

Note 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

Note 2 - SUPPLEMENTAL APPROPRIATIONS

The legal level of budget control is at the fund level. Thus, expenditures may not legally exceed appropriations, including supplemental appropriations, for an individual fund. For the year ended June 30, 2012, 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 year ended June 30, 2012 as follows:

General Fund	\$	725,861
Accommodations Tax Fund	\$	74,000
Hospitality Fund	\$	113,500

Note 3 - PRESENTATION

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

INDIVIDUAL FUND STATEMENT

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIREMEN'S FUND
Year Ended June 30, 2012

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
ASSETS				
Cash and Cash Equivalents	\$ <u>36,055</u>	\$ <u>51,067</u>	\$ <u>13,653</u>	\$ <u>73,469</u>
LIABILITIES				
Due to Firemen's Association	\$ <u>36,055</u>	\$ <u>51,067</u>	\$ <u>13,653</u>	\$ <u>73,469</u>

OTHER SUPPLEMENTARY INFORMATION

1

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 250,000	\$ 250,000	\$ 297,855	\$ 47,855
Intergovernmental	70,000	70,000	124,889	54,889
Other			912	912
Total Revenues	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 423,656</u>	<u>\$ 103,656</u>
EXPENDITURES				
Current:				
Grounds	\$ 23,500	\$ 23,500	\$ 16,526	\$ 6,974
Street	30,500	37,500	35,953	1,547
Capital Outlay	270,000	402,000	280,039	121,961
Total Expenditures	<u>\$ 324,000</u>	<u>\$ 463,000</u>	<u>\$ 332,518</u>	<u>\$ 130,482</u>
Net Change in Fund Balances	<u>\$ (4,000)</u>	<u>\$ (143,000)</u>	<u>\$ 91,138</u>	<u>\$ 234,138</u>
Fund Balances - Beginning	<u>258,776</u>	<u>258,776</u>	<u>258,776</u>	
Fund Balances - Ending	<u>\$ 254,776</u>	<u>\$ 115,776</u>	<u>\$ 349,914</u>	<u>\$ 234,138</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
SANITATION FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Services	\$ 1,135,000	\$ 1,135,000	\$ 1,067,403	\$ (67,597)
Total Revenues	<u>\$ 1,135,000</u>	<u>\$ 1,135,000</u>	<u>\$ 1,067,403</u>	<u>\$ (67,597)</u>
OPERATING EXPENSES				
Personnel Service and Related Expenses	\$ 503,264	\$ 503,264	\$ 489,119	\$ 14,145
Maintenance and Service Contracts	388,875	388,875	383,911	4,964
Materials and Supplies	17,500	17,500	21,699	(4,199)
Repairs and Maintenance	2,000	2,000	491	1,509
Depreciation	125,000	125,000	85,866	39,134
Other Operating Expenses	25,540	25,540	27,806	(2,266)
Total Operating Expenses	<u>\$ 1,062,179</u>	<u>\$ 1,062,179</u>	<u>\$ 1,008,892</u>	<u>\$ 53,287</u>
Operating Income (Loss)	<u>\$ 72,821</u>	<u>\$ 72,821</u>	<u>\$ 58,511</u>	<u>\$ (14,310)</u>
NONOPERATING REVENUES				
Interest Earnings	\$ 1,200	\$ 1,200	\$ 2,820	\$ 1,620
Grant Revenue			7,858	7,858
Gain (Loss) on Disposal of Assets			8,529	8,529
Total Nonoperating Revenues	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 19,207</u>	<u>\$ 18,007</u>
Income (Loss) Before Transfers	\$ 74,021	\$ 74,021	\$ 77,718	\$ 3,697
Transfers Out	<u>(73,500)</u>	<u>(73,500)</u>	<u>(37,240)</u>	<u>36,260</u>
Change in Net Assets	\$ 521	\$ 521	\$ 40,478	\$ 39,957
Total Net Assets - Beginning	<u>1,246,212</u>	<u>1,246,212</u>	<u>1,246,212</u>	
Total Net Assets - Ending	<u><u>\$ 1,246,733</u></u>	<u><u>\$ 1,246,733</u></u>	<u><u>\$ 1,286,690</u></u>	<u><u>\$ 39,957</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
PIER FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Services	\$ 280,000	\$ 280,000	\$ 286,761	\$ 6,761
Total Revenues	<u>\$ 280,000</u>	<u>\$ 280,000</u>	<u>\$ 286,761</u>	<u>\$ 6,761</u>
OPERATING EXPENSES				
Personnel Service and Related Expenses	\$ 3,526	\$ 3,526	\$ 3,526	
Materials and Supplies			31	(31)
Repairs and Maintenance	7,500	7,500	5,750	1,750
Depreciation	65,000	65,000	59,495	5,505
Other Operating Expenses	6,800	6,800	9,294	(2,494)
Total Operating Expenses	<u>\$ 82,826</u>	<u>\$ 82,826</u>	<u>\$ 78,096</u>	<u>\$ 4,730</u>
Operating Income (Loss)	<u>\$ 197,174</u>	<u>\$ 197,174</u>	<u>\$ 208,665</u>	<u>\$ 11,491</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Earnings	\$	\$	\$ 929	\$ 929
Interest Expense	(22,820)	(22,820)	(22,037)	783
Total Nonoperating Revenues (Expenses)	<u>\$ (22,820)</u>	<u>\$ (22,820)</u>	<u>\$ (21,108)</u>	<u>\$ 1,712</u>
Income (Loss) Before Transfers and Capital Contributions	\$ 174,354	\$ 174,354	\$ 187,557	\$ 13,203
Capital Contributions			162,500	162,500
Transfers Out	(23,750)	(23,750)	(7,855)	15,895
Change in Net Assets	<u>\$ 150,604</u>	<u>\$ 150,604</u>	<u>\$ 342,202</u>	<u>\$ 191,598</u>
Total Net Assets - Beginning	<u>1,266,567</u>	<u>1,266,567</u>	<u>1,266,567</u>	
Total Net Assets - Ending	<u><u>\$ 1,417,171</u></u>	<u><u>\$ 1,417,171</u></u>	<u><u>\$ 1,608,769</u></u>	<u><u>\$ 191,598</u></u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
Year Ended June 30, 2012

COURT FINES

Court Fines Collected	\$ 143,761
Court Fines Retained by Town	(143,761)
Court Fines Remitted to the State Treasurer	<u>\$</u>

COURT ASSESSMENTS

Court Assessments Collected	\$ 172,492
Court Assessments Retained by Town	(17,765)
Court Assessments Remitted to the State Treasurer	<u>\$</u> <u>154,727</u>

COURT SURCHARGES

Court Surcharges Collected	\$ 51,834
Court Surcharges Retained by Town	(10,624)
Court Surcharges Remitted to the State Treasurer	<u>\$</u> <u>41,210</u>

COURT DPS PULLOUTS

Court DPS Pullouts Collected	\$ 10,764
Court DPS Pullouts Retained by Town	
Court DPS Pullouts Remitted to the State Treasurer	<u>\$</u> <u>10,764</u>

VICTIMS SERVICES

Court Assessments Allocated to Victim Services	\$ 17,765
Court Surcharges Allocated to Victim Services	10,624
Total Funds Allocated to Victim Services	<u>\$</u> <u>28,389</u>
Victim Services Expenditures	(10,449)
Prior Year Carryforward	2,326
Funds Available for Carryforward	<u>\$</u> <u>20,266</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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 12,541,758	\$ 11,910,207	\$ 10,932,103	\$ 8,196,888	\$ 6,919,553	\$ 5,344,522	\$ 4,046,028	\$ 3,839,574	\$ 2,138,699	\$
Restricted	1,211,314	882,459	406,066	1,867,568	2,093,153	1,536,378	1,558,229	1,431,687	1,813,481	
Unrestricted	3,415,280	3,790,465	4,394,241	4,227,369	5,006,855	5,618,178	5,139,727	3,769,262	3,234,283	
Total governmental activities net assets	\$ 17,168,352	\$ 16,583,131	\$ 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	\$ 3,200,682	\$ 3,034,135	\$ 3,078,498	\$ 3,103,276	\$ 724,808	\$ 410,834	\$ 352,927	\$ 371,668	\$ 304,001	\$
Unrestricted	(438,541)	(604,759)	(855,355)	(1,263,645)	120,043	317,139	96,446	69,340	111,154	
Total business-type activities net assets	\$ 2,762,141	\$ 2,429,376	\$ 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	\$ 15,742,440	\$ 14,944,342	\$ 14,010,601	\$ 11,300,164	\$ 7,644,361	\$ 5,755,356	\$ 4,398,955	\$ 4,211,242	\$ 2,442,700	\$
Restricted	1,211,314	882,459	406,066	1,867,568	2,093,153	1,536,378	1,558,229	1,431,687	1,813,481	
Unrestricted	2,976,739	3,185,706	3,538,886	2,963,724	5,126,898	5,935,317	5,236,173	3,838,602	3,345,437	
Total primary government activities net assets	\$ 19,930,493	\$ 19,012,507	\$ 17,955,553	\$ 16,131,456	\$ 14,864,412	\$ 13,227,051	\$ 11,193,357	\$ 9,481,531	\$ 7,601,618	\$

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
General Government	\$ 1,574,344	\$ 1,481,098	\$ 1,936,037	\$ 1,487,967	\$ 1,372,244	\$ 1,518,483	\$ 1,095,556	\$ 1,041,351	\$ 1,120,580	\$
Public Safety	2,871,037	2,682,300	3,189,927	2,460,933	2,371,314	2,015,991	2,072,616	1,885,525	1,723,611	
Building and Zoning	252,842	216,665	322,102	244,152	282,304	238,278				
Grounds	291,739	278,869	485,100							
Street	1,483,694	904,504	1,072,451	1,111,069	1,178,169	732,622	711,466	577,946	500,730	
Culture and Recreation	380,666	399,827	476,660	558,936	483,391	479,222	398,886	418,413	424,559	
Interest and Fiscal Charges	51,603	57,244	69,814	66,482	88,181	85,049	87,255	93,271	157,207	
Total governmental activities expense	6,905,925	6,020,507	7,552,091	5,929,539	5,775,603	5,069,645	4,365,779	4,016,506	3,926,687	
Business-type activities:										
Sanitation	1,058,807	993,535	1,228,154	962,936	1,072,194	929,637	915,909	858,613	818,329	
Pier	100,133	142,786	183,658	107,370						
Total business-type activities	1,158,940	1,136,321	1,411,812	1,070,306	1,072,194	929,637	915,909	858,613	818,329	
Total primary government expenses	\$ 8,064,865	\$ 7,156,828	\$ 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	\$ 112,164	\$ 131,404	\$ 165,942	\$ 126,601	\$ 153,714	\$ 93,322	\$ 104,791	\$ 94,636	\$ 91,525	\$
Public Safety	239,369	249,878	337,573	311,218	273,900	223,656	511,478	402,749	338,202	
Building and Zoning	165,269	113,222	177,453	130,110	160,393	271,658				
Culture and Recreation	50,921	69,045	60,815	52,928	53,763	59,487	54,251	62,254	68,337	
Operating Grants and Contributions	593,738	159,946	207,765	212,262	69,271	83,425	52,633	70,524	33,263	
Capital Grants and Contributions	355,945	243,738	303,818	197,101	298,645	94,350	75,959	413,238	409,324	
Total governmental activities program revenues	1,517,406	967,233	1,253,366	1,030,220	1,009,686	827,898	799,112	1,043,401	940,651	
Business-type activities:										
Charges for Services	1,067,403	1,103,958	1,409,891	1,148,643	1,164,391	1,141,924	925,145	865,325	802,599	
Sanitation	286,761	323,092	447,731	85,314						
Pier	7,858							17,405		
Operating Grants and Contributions	162,500									
Capital Grants and Contributions	1,524,522	1,427,050	1,857,622	1,233,957	1,164,391	1,141,924	925,145	882,730	802,599	
Total business-type activities program revenues	\$ 3,041,928	\$ 2,394,283	\$ 3,110,988	\$ 2,264,177	\$ 2,174,077	\$ 1,969,822	\$ 1,724,257	\$ 1,936,131	\$ 1,743,250	\$

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense) revenue	\$ (5,388,519)	\$ (5,053,274)	\$ (6,298,725)	\$ (4,899,319)	\$ (4,765,917)	\$ (4,241,747)	\$ (3,566,667)	\$ (2,973,105)	\$ (2,986,036)	\$
Governmental activities	365,582	290,729	445,810	163,651	92,197	212,287	9,236	24,117	(15,730)	
Business-type activities	(5,022,937)	(4,762,545)	(5,852,915)	(4,735,668)	(4,673,720)	(4,029,460)	(3,557,431)	(2,948,988)	(3,001,766)	\$
Total primary government net expense	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Revenues and Other Changes in Net Assets										
Governmental activities										
Property Taxes	\$ 2,431,443	\$ 2,392,569	\$ 2,437,909	\$ 2,316,688	\$ 2,208,501	\$ 2,146,666	\$ 2,088,116	\$ 1,979,199	\$ 1,919,558	\$
Local Accommodations Taxes	154,171	138,892	159,761	139,549	146,587	136,914	116,393	106,475	97,211	
Business Licenses Taxes	1,352,422	1,384,337	2,628,551	1,455,823	1,548,915	1,331,700	1,192,406	1,018,750	944,899	
Franchise Taxes	572,541	577,845	745,808	526,406	518,911	496,568	469,622	446,194	463,956	
Hospitality Taxes	673,177	654,897	804,000	669,304	721,269	674,718	615,341	588,603	560,257	
Unrestricted Grants and Contributions	655,172	618,106	811,567	759,823	759,845	686,736	617,989	586,771	544,689	
Investment Earnings	31,938	38,327	53,572	122,639	357,720	373,855	209,305	82,684	65,317	
Gain on Disposal of Capital Assets	47,106			6,717		29,494	7,551	8,489		
Other General Revenues	10,675	2,654	9,397	4,634	4,652	63,542				
Transfers	45,095	96,368	62,500	(830,000)	20,000	16,648	9,618	10,000	10,000	
Total governmental activities	5,973,740	5,903,995	7,713,065	5,171,583	6,286,400	5,956,841	5,326,341	4,827,165	4,605,887	
Business-type activities										
Investment Earnings	3,749	2,845	202	541	6,929	7,286	2,567	625	956	
Gain on Disposal of Capital Assets	8,529	9,027		588	37,752	75,675	11,820	11,111		
Transfers	(45,095)	(96,368)	(62,500)	830,000	(20,000)	(16,648)	(9,618)	(10,000)	(10,000)	
Total business-type activities	(32,817)	(84,496)	(62,298)	831,129	24,681	66,313	4,769	1,736	(9,044)	
Total primary government	\$ 5,940,923	\$ 5,819,499	\$ 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	\$ 585,221	\$ 850,721	\$ 1,414,340	\$ 272,264	\$ 1,520,483	\$ 1,715,094	\$ 1,759,674	\$ 1,854,060	\$ 1,619,851	\$
Business-type activities	332,765	206,233	383,512	994,780	116,878	278,600	14,005	25,853	(24,774)	
Total primary government	\$ 917,986	\$ 1,056,954	\$ 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)

Fiscal Year	Property Taxes	Local Accommodations Taxes	Business Licenses Taxes	Franchise Taxes	Hospitality Taxes	Total
2003	\$	\$	\$	\$	\$	\$
2004	1,919,558	97,211	944,899	463,956	560,257	3,985,881
2005	1,979,199	106,475	1,018,750	446,194	588,603	4,139,221
2006	2,088,116	116,393	1,192,406	469,622	615,341	4,481,878
2007	2,146,666	136,914	1,331,700	496,568	674,718	4,786,566
2008	2,208,501	146,587	1,548,915	518,911	721,269	5,144,183
2009	2,316,688	139,549	1,455,823	526,406	669,304	5,107,770
2010	2,437,909	159,761	2,628,551	745,808	804,000	6,776,029
2011	2,392,569	138,892	1,384,337	577,845	654,897	5,148,540
2012	2,431,443	154,171	1,352,422	572,541	673,177	5,183,754

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Nonspendable	\$ 1,319,075	\$ 1,404,264	\$	\$	\$	\$	\$	\$	\$	\$
Restricted	576,299	453,759								
Committed	484,506	399,930								
Unassigned	1,086,252	1,672,042								
Reserved			1,356,711	1,546,373	91,008	93,072	75,261	33,315	35,182	32,645
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
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
Total General Fund	\$ 3,466,132	\$ 3,929,995	\$ 4,563,328	\$ 4,339,154	\$ 4,523,096	\$ 4,410,165	\$ 4,256,142	\$ 3,512,490	\$ 3,010,788	\$ 3,227,273
All Other Governmental Funds										
Nonspendable	\$ 12,500	\$ 17,716	\$	\$	\$	\$	\$	\$	\$	\$
Restricted	615,810	378,058								
Committed	349,914	258,776								
Assigned	302,681	218,982								
Reserved, reported in:										
Special Revenue Funds			12,500							
Unreserved - designated, reported in:										
Special Revenue Funds			189,954	222,124	804,042	806,388	867,860	797,982	731,586	685,190
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
Total All Other Governmental Funds	\$ 1,280,905	\$ 873,532	\$ 351,915	\$ 1,842,458	\$ 2,587,647	\$ 2,955,017	\$ 2,423,121	\$ 1,706,559	\$ 2,063,151	\$ 1,486,737

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Property Taxes	\$ 2,431,289	\$ 2,366,075	\$ 2,492,969	\$ 2,303,879	\$ 2,201,127	\$ 2,138,888	\$ 2,089,430	\$ 1,977,665	\$ 1,904,727	\$ 1,549,091
Franchise Taxes	572,541	577,845	745,808	526,406	518,911	496,568	469,622	446,194	463,956	411,069
Hospitality Taxes	673,177	654,897	804,000	669,304	721,269	674,718	615,341	588,603	560,257	523,223
Local Accommodations Taxes	154,171	138,892	159,761	139,549	146,587	136,914	116,393	106,475	97,211	70,790
Licenses and Permits	1,520,321	1,500,594	2,808,169	1,574,633	1,701,548	1,603,205	1,538,253	1,308,524	1,152,481	1,078,292
Fines and Forfeitures	217,545	232,464	274,998	263,399	235,078	200,389	143,450	112,289	120,975	157,129
Intergovernmental	1,562,949	1,011,326	1,300,921	1,176,874	1,087,759	846,261	733,381	1,061,879	902,418	661,115
Other	248,147	266,273	362,411	383,701	634,161	639,085	406,158	248,914	238,482	165,711
Total Revenues	7,380,140	6,748,366	8,949,037	7,037,745	7,246,440	6,736,028	6,112,028	5,850,543	5,440,507	4,616,420
Expenditures										
General Government	1,092,283	962,978	1,355,349	1,002,468	806,707	800,304	698,260	665,268	604,629	536,936
Public Safety	2,499,144	2,377,915	2,915,763	2,259,819	2,155,183	1,810,943	1,916,226	1,714,933	1,574,263	1,371,654
Building and Zoning	249,312	214,470	318,462	239,729	273,739	231,620				
Grounds	263,423	260,442	465,993							
Street	1,274,684	724,004	861,717	969,183	967,011	647,018	582,603	464,442	451,789	543,656
Intragovernmental Maintenance	115,123	92,047	97,548	78,084	85,651	83,768	106,545	78,784	83,011	70,630
Culture and Recreation	345,104	363,725	430,820	512,760	437,305	447,773	362,944	387,278	409,503	369,884
Non-Departmental	284,125	258,792	320,706	284,405	479,198	599,589	331,733	313,716	359,923	448,982
Capital Outlay	853,887	2,139,536	3,103,565	1,394,126	1,693,092	1,110,855	281,261	1,719,032	1,196,761	304,923
Debt Service:										
Principal	473,147	375,000	370,000	345,000	562,789	320,000	310,000	300,000	346,347	255,000
Interest	43,139	35,700	45,875	54,500	79,961	69,150	73,350	88,129	75,698	174,179
Agent Fees	1,000	827	1,310	1,060	1,060	998	780	780	540	1,027
Total Expenditures	7,494,371	7,805,436	10,287,108	7,141,134	7,541,696	6,122,018	4,663,702	5,732,362	5,102,464	4,076,871
Excess (Deficiency) of Revenues	(114,231)	(1,057,070)	(1,338,071)	(103,389)	(295,256)	614,010	1,448,326	118,181	338,043	539,549
Over (Under) Expenditures										

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other Financing Sources (Uses)										
Transfers In	401,252	480,337	355,941	431,146	299,861	639,976	691,133	1,208,199	1,064,446	174,395
Transfers Out	(365,592)	(383,969)	(293,441)	(1,261,146)	(279,861)	(619,976)	(681,133)	(1,198,199)	(1,054,446)	(164,395)
Issuance of Debt		731,469								
Proceeds Sale of Capital Assets	22,081	117,517	9,202	4,258	20,817	11,909	5,487	16,929		78,939
Total Financing Sources (Uses)	57,741	945,354	71,702	(823,742)	40,817	31,909	15,487	26,929	10,000	88,939
Net Change in Fund Balances	\$ (56,490)	\$ (111,716)	\$ (1,266,369)	\$ (929,131)	\$ (254,439)	\$ 645,919	\$ 1,463,813	\$ 145,110	\$ 348,043	\$ 628,488
Debt Service as a Percentage of Noncapital Expenditures	7.77%	7.26%	5.81%	6.97%	11.07%	7.78%	8.82%	9.69%	10.82%	11.41%

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)**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Local Accomodations Taxes</u>	<u>Business Licenses Taxes</u>	<u>Franchise Taxes</u>	<u>Hospitality Taxes</u>	<u>Total</u>
2003	\$ 1,549,091	\$ 70,790	\$ 1,078,292	\$ 411,069	\$ 523,223	\$ 3,632,465
2004	1,904,727	97,211	944,899	463,956	560,257	3,971,050
2005	1,977,665	106,475	1,018,750	446,194	588,603	4,137,687
2006	2,089,430	116,393	1,192,406	469,622	615,341	4,483,192
2007	2,138,888	136,914	1,331,700	496,568	674,718	4,778,788
2008	2,201,127	146,587	1,548,915	518,911	721,269	5,136,809
2009	2,303,879	139,549	1,455,823	526,406	669,304	5,094,961
2010	2,492,969	159,761	2,628,551	745,808	804,000	6,831,089
2011	2,366,075	138,892	1,384,337	577,845	654,897	5,122,046
2012	2,431,289	154,171	1,520,321	572,541	673,177	5,351,499

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
3/31/03	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	(1) 42,282,679	4,783,074	564,764	46,500,989	44.0	814,836,264	5.71%
3/31/07	2006	43,396,201	5,254,120	573,840	48,076,481	44.0	840,608,661	5.72%
3/31/08	2007	44,678,414	5,134,590	585,990	49,227,014	44.0	862,011,196	5.71%
3/31/09	2008	48,963,006	4,770,448	857,314	52,876,140	44.0	933,969,993	5.66%
6/30/10	2009	50,572,855	4,355,394	864,733	54,063,516	44.0	957,529,121	5.65%
6/30/11	2010	(1) 55,418,462	4,400,570	996,779	58,822,253	40.0	1,044,622,518	5.63%
6/30/12	2011	56,357,844	3,827,860	889,942	59,295,762	40.0	1,054,238,321	5.62%

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

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

Tax Year	Town of Surfside Beach				County				Overlapping Rates				Total Direct & Overlapping Rates	
	Operating Millage		Debt Service Millage		Operating Millage		Debt Service Millage		Operating Millage		Debt Service Millage			Total School Millage
	Operating Millage	Debt Service Millage	Operating Millage	Debt Service Millage	Operating Millage	Debt Service Millage	Operating Millage	Debt Service Millage	Operating Millage	Debt Service Millage				
2002	44.0	44.0	43.9	7.0	50.9	102.9	22.0	124.9	219.8					
2003	55.0	55.0	44.7	6.2	50.9	108.4	22.0	130.4	236.3					
2004	55.0	55.0	44.7	6.2	50.9	108.4	22.0	130.4	236.3					
2005	44.0	44.0	41.0	5.3	46.3	101.7	28.0	129.7	220.0					
2006	44.0	44.0	41.0	5.3	46.3	107.3	28.0	135.3	225.6					
2007	44.0	44.0	42.0	5.3	47.3	115.3	28.0	143.3	234.6					
2008	44.0	44.0	42.0	5.3	47.3	115.3	28.0	143.3	234.6					
2009	44.0	44.0	42.0	5.3	47.3	119.3	20.0	139.3	230.6					
2010	40.0	40.0	39.9	5.0	44.9	118.2	14.0	132.2	217.1					
2011	40.0	40.0	40.2	5.0	45.2	120.2	10.0	130.2	215.4					

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

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

June 30, 2012

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Surfside Beach Resort, LLC	\$ 436,398	1	0.74%	\$		
Columbia II Surfside Commons	420,000	2	0.71%			
Lodgian Hotels Fixed IV, LP	246,000	3	0.41%			
Springfield Development Group	220,584	4	0.37%			
Bonnie Jean Hammond-Robinson	199,722	5	0.34%			
Holiday Inn Surfside	176,910	6	0.30%			
William M. McKown	166,909	7	0.28%			
Deerfield Myrtle Beach, LLC	156,918	8	0.26%			
River City Café Holdings, LLC	155,544	9	0.26%			
Surfside Shopping Center	155,130	10	0.26%	136,932	7	0.40%
Surfside Pier Hotel, LTD				421,194	1	1.23%
Jefferson Pilot Life Insurance				298,164	2	0.88%
IMPAC Hotels, Inc.				281,034	3	0.83%
James Calhoun, III				199,686	4	0.59%
Action Amusement, Inc.				175,788	5	0.52%
Scalise Development				171,263	6	0.50%
Hosp Corp of America				134,322	8	0.40%
Tebele Investments Group				127,356	9	0.37%
Patel Management, LLC				118,590	10	0.35%
	<u>\$ 2,334,115</u>		<u>3.94%</u>	<u>\$ 2,064,329</u>		<u>6.07%</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
3/31/03	\$ 1,696,417	\$ 1,446,681	85.28%	\$ 95,370	\$ 1,542,051	90.90%
3/31/04	2,067,642	1,806,967	87.39%	70,332	1,877,299	90.79%
3/31/05	2,135,702	1,885,402	88.28%	87,761	1,973,163	92.39%
3/31/06	2,230,238	1,985,077	89.01%	82,723	2,067,800	92.72%
3/31/07	2,002,191	1,906,087	95.20%	93,644	1,999,731	99.88%
3/31/08	2,087,362	1,977,059	94.72%	98,908	2,075,967	99.45%
3/31/09	2,315,577	2,082,049	89.91%	220,929 (3)	2,302,978	99.46%
6/30/10	2,276,552	2,145,810	94.26%	127,575	2,273,385	99.86%
6/30/11	2,256,797	2,090,348	92.62%	128,073	2,218,421	98.30%
6/30/12	2,271,449	2,174,776	95.74%		2,174,776	95.74%

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

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

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

Fiscal Year Ended	Governmental Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Note Payable	Capital Leases			
3/31/03	\$ 3,325,000	\$	\$	\$ 3,325,000	3.07%	\$ 740
3/31/04	3,165,000			3,165,000	2.93%	684
3/31/05	2,865,000			2,865,000	2.65%	597
3/31/06	2,555,000			2,555,000	2.36%	512
3/31/07	2,235,000	232,789		2,467,789	2.28%	476
3/31/08	1,905,000			1,905,000	1.76%	353
3/31/09	1,560,000			1,560,000	1.44%	278
6/30/10	1,190,000			1,190,000	1.10%	204
6/30/11	815,000		731,469	1,546,469	0.99%	403
6/30/12	415,000		658,322	1,073,322	0.68%	280

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)
3/31/03	\$ 3,325,000	\$	\$ 3,325,000	0.59%	\$ 740
3/31/04	3,165,000		3,165,000	0.53%	684
3/31/05	2,865,000		2,865,000	0.46%	597
3/31/06	2,555,000		2,555,000	0.31%	512
3/31/07	2,235,000		2,235,000	0.27%	431
3/31/08	1,905,000		1,905,000	0.22%	353
3/31/09	1,560,000		1,560,000	0.17%	278
6/30/10	1,190,000		1,190,000	0.12%	204
6/30/11	815,000		815,000	0.08%	212
6/30/12	415,000		415,000	0.04%	108

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, 2012

<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	\$ 110,263,000	2.90%	\$ 3,197,627
Debt repaid with property taxes: School District	364,690,000	2.90%	10,576,010
Subtotal, overlapping debt			<u>13,773,637</u>
Town of Surfside Beach Direct Debt			<u>415,000</u>
Total Direct and Overlapping Debt			<u>\$ 14,188,637</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, 2012.

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

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt Limit	\$ 4,761,809	\$ 4,723,928	\$ 4,343,229	\$ 4,248,239	\$ 3,956,309	\$ 3,864,266	\$ 3,738,227	\$ 2,930,416	\$ 2,803,349	\$ 2,735,566
Total Net Debt Applicable to Limit	415,000	534,733	553,460	571,938	589,169	605,649	621,630	637,112	652,095	560,330
Legal Debt Margin	\$ 4,346,809	\$ 4,189,195	\$ 3,789,769	\$ 3,676,301	\$ 3,367,140	\$ 3,258,617	\$ 3,116,597	\$ 2,293,304	\$ 2,151,254	\$ 2,175,236
Total net debt applicable to the limit as a percentage of debt limit	8.72%	11.32%	12.74%	13.46%	14.89%	15.67%	16.63%	21.74%	23.26%	20.48%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 59,295,762
Exempt Merchants Inventory (1987 Valuation)	226,850
Total	<u>59,522,612</u>
Debt limit (8% of total assessed value)	4,761,809
Debt applicable to limit:	
General obligation bonds	415,000
Total net debt applicable to limit	<u>415,000</u>
Legal debt margin	\$ <u>4,346,809</u>

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (1) (amounts expressed in thousands)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (1)	Unemployment Rate (2)
3/31/03	4,496	\$ 108,169	\$ 24,059	44.5	680	5.10%
3/31/04	4,630	108,169	23,363	44.5	680	5.60%
3/31/05	4,795	108,169	22,559	44.5	680	5.70%
3/31/06	4,986	108,169	21,695	44.5	680	5.50%
3/31/07	5,185	108,169	20,862	44.5	680	5.40%
3/31/08	5,392	108,169	20,061	44.5	680	5.80%
3/31/09	5,608	108,169	19,288	44.5	680	12.80%
6/30/10	5,832	108,169	18,547	44.5	680	10.30%
6/30/11	3,837	156,781	40,860	50.5	525	10.50%
6/30/12	3,837	156,781	40,860	50.5	525	10.10%

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

(1) U.S. Census Bureau, 2010 Census. Population amounts for 2003 - 2010 are calculated using growth rates of the previous years. Due to the decrease of the 2010 Census, the Town has elected to remain constant for 2012.

(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.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**PRINCIPAL EMPLOYERS
Current and Nine Years Ago**

Employer	2012			2003		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Crabby Mike's	120	1	Unavailable	Unavailable	1	Unavailable
BiLo, Inc.	85	2	Unavailable	Unavailable	2	Unavailable
Town of Surfside Beach	78	3	Unavailable	Unavailable	3	Unavailable
Piggly Wiggly	65	4	Unavailable	Unavailable	4	Unavailable
Surfside Realty Co, Inc.	63	5	Unavailable	Unavailable	5	Unavailable
Surfside Beach Resort	60	6	Unavailable	Unavailable	6	Unavailable
Lanes's Pest Elimination	53	7	Unavailable	Unavailable	7	Unavailable
Dagwoods Deli & Sports Bar	45	8	Unavailable	Unavailable	8	Unavailable
Lodgian Hotels	42	9	Unavailable	Unavailable	9	Unavailable
Original Benjamin's Calabash	<u>31</u>	10	<u>Unavailable</u>	<u>Unavailable</u>	10	<u>Unavailable</u>
	<u>642</u>		<u>Unavailable</u>	<u>Unavailable</u>		<u>Unavailable</u>

Source: Finance department and each employer.

UNAUDITED

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government	10	13	13	13	11	12	11	11	12	10
Public Safety										
Police										
Officers	21	22	22	21	20	20	20	20	15	15
Communications/Office	6	6	6	6	7	7	7	5	6	6
Fire										
Firefighters and Officers	7	7	6	5	5	5	5	5	5	6
Building and Zoning	3	3	3	3	4	4	5	5	4	3
Grounds	4	4	7							
Public Works										
Streets	10	10	7	7	11	11	10	10	10	10
Facilities Maintenance	2									
Vehicle Maintenance	2	2	1	1	2	2	2	2	2	2
Culture and Recreation	2	2	2	9	5	5	6	6	6	6
Sanitation	9	9	9	8	12	12	12	12	11	11
Total	76	78	76	73	77	78	78	76	71	69

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.
 (3) Facilities Maintenance department was not separately presented prior to fiscal period 2012. The facilities function has been moved from general government to public works.

Source: Town budget.

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Physical arrests	911	548	676	506	528	310	750	517	527	588
Parking violations	1,797	3,934	3,677	2,872	2,730	2,168	2,673	Unavailable	Unavailable	Unavailable
Traffic violations	3,058	2,028	4,129	3,946	3,676	1,794	3,435	2,352	1,910	1,780
Fire										
Number of calls answered	685	633	675	756	729	514	663	609	656	638
Building and Zoning										
New construction permits	35	20	19	22	47	84	115	87	130	71
Culture and Recreation										
Events held	21	23	27	16	19	20	19	13	12	11
Sanitation										
Refuse collected (tons)	6,710	6,737	8,873	6,977	7,618	7,715	7,435	7,350	7,109	6,681
Recyclables collected	533	534	626	383	312	300	308	312	307	300
Pier										
Admissions	58,441	58,618	80,787	8,699						
Fishing	12,773	11,837	18,264	2,197						

Source: Various government departments.

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

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	21	21	21	21	19	19	14	14	14
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	39	39	39	39	39	39	36	34	34	34
Streetlights	518	518	518	518	518	518	518	492	492	492
Traffic signals	3	3	3	3	3	3	3	3	3	3
Culture and Recreation										
Parks acreage	32	32	30	30	30	30	30	30	30	30
Parks	8	8	6	5	5	5	5	5	5	5
Tennis courts	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	2	2	2	2	2	2	2	2
Sanitation										
Collection trucks	7	7	7	7	7	9	8	8	7	7
Pier										
Fishing Pier	1	1	1	1	1	1	1	1	1	1

Source: Various government departments.

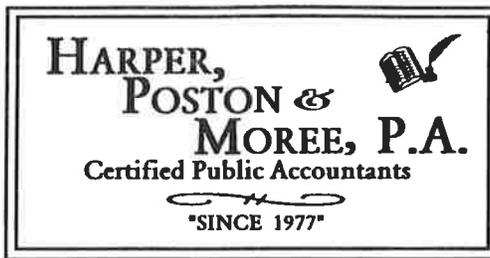
Notes: (1) No capital asset indicators are available for the general government function.
 (2) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.
 (3) The Pier was purchased by the Town on September 30, 2008.

UNAUDITED



**INDEPENDENT AUDITORS' OTHER
REPORT SECTION**





Robert D. Harper, Jr. CPA
Stacey C. Moree CPA
P. O. Box 1550
106 Wall Street, Litchfield
Pawleys Island, SC 29585
Tel (843) 237-9125
Fax (843) 237-1621
E-mail: HPM@sc.rr.com

Robin B. Poston CPA
P. O. Box 576
307 Church Street
Georgetown, SC 29442
Tel (843) 527-3413
Fax (843) 546-7277
E-mail: hpm2@sc.rr.com

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 4, 2012. 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

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

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

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

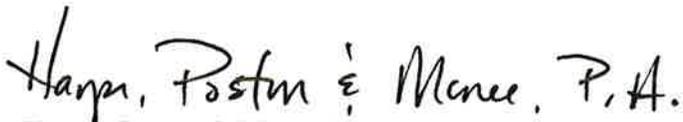
However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiency 12-B1 to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance And Other Matters

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

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

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



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

Pawleys Island, South Carolina
December 4, 2012

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

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

12-B1 Financial Statement Preparation

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

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

Cause: Management turnover and budget constraints prevented the Town's Treasurer from preparing the financial statements.

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

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

B. Findings - Financial Statement Audit (continued)

12-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. The Town's management does agree 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 had already achieved the CGFO, Certified Government Finance Officer's certification and the Town's Senior Accountant attended the Certified Government Finance Officer certification program this past year. She has one more test to pass which was offered in November 2012. Although staff is limited we will continue to attend training opportunities and anticipate being able to prepare the Town's financial statements in the near future.

C. Findings - Federal Award Program Audit

Not applicable.

