Town of Surfside Beach

"The Family Beach ... It's ALL Right Here!"

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2013

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, 2013

Prepared By:

Finance Department

Diana H. King, Finance Director

SURFSIDE BEACH

SOUTH CAROLINA

INTRODUCTORY SECTION

SURFSIDE BEACH

SOUTH CAROLINA

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2013

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TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

PRINCIPAL OFFICIALS
June 30, 2013

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 Director ..... Diana H. King

Town Clerk ..... Debra E. Herrmann

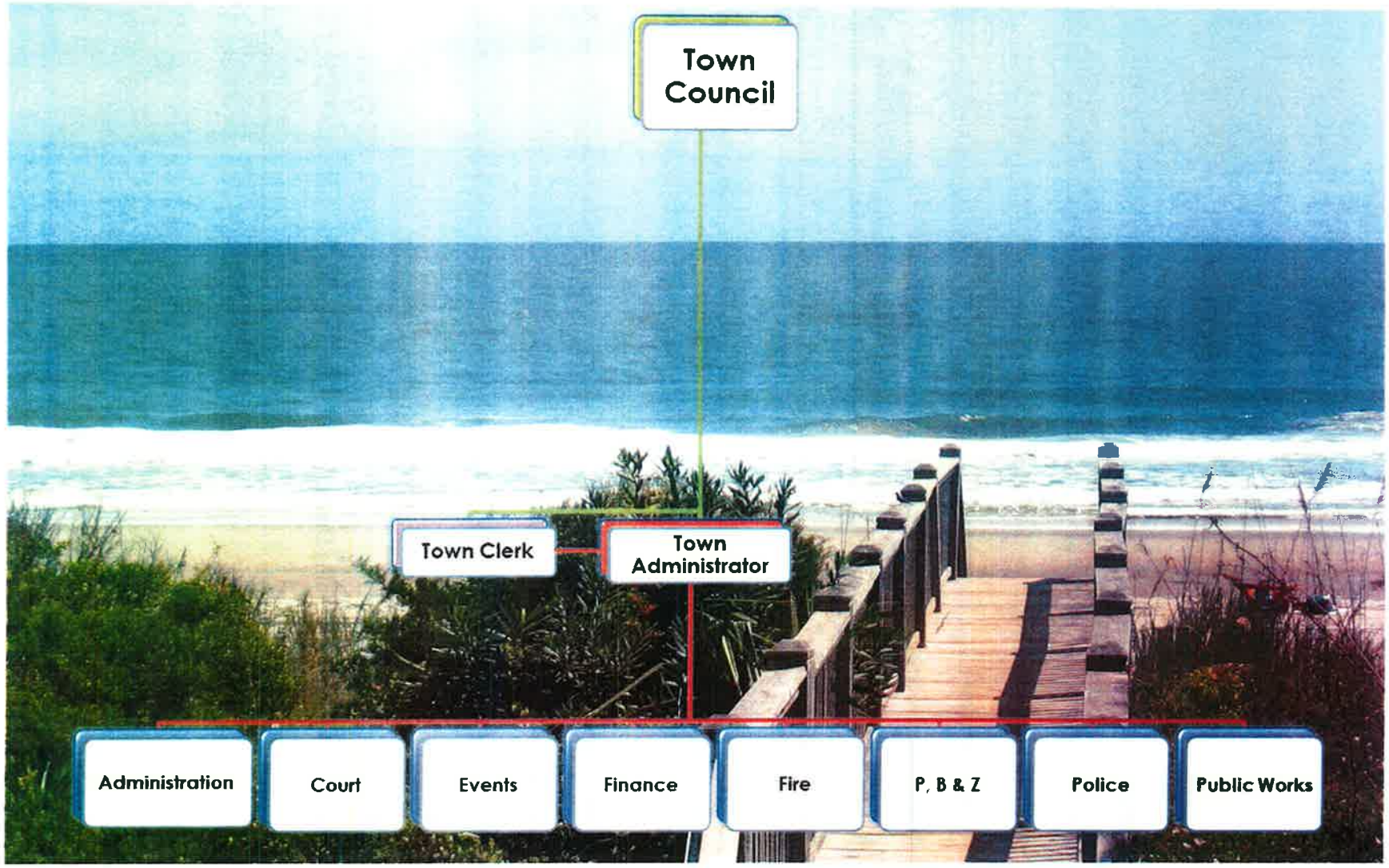
Police Chief ..... Rodney L. Keziah

Fire Chief ..... Daniel J. Cimini

Planning, Building and Zoning Director ..... Sabrina T. Morris

Public Works Director ..... John G. Adair

Town of Surfside Beach Organizational Chart as of June 30, 2013



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Town of Surfside Beach

December 5, 2013

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

The Comprehensive Annual Financial Report of the Town of Surfside Beach for the fiscal year ended June 30, 2013, 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, 2013. The independent auditor's report is located at the front of the financial statement section of this report.

Generally Accepted Accounting Principles (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.

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, recreation, athletics, 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 of Surfside Beach maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. Activities of the General Fund, Special Revenue Funds, Capital Projects Fund and Enterprise Funds are included in the annual appropriated budget, which is prepared using 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 population swells to over 40,000 during the summer season. Significant growth and development have taken place along the town's oceanfront in the last decade. In addition, commercial development continues to rise 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, classified as transient rentals (i.e., short-term rentals to visitors).

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

The tourism industry contributes revenue to the Town of Surfside Beach through the collection of Hospitality and Accommodations Taxes. In the past ten years these special revenues have increased by over $435,000. These taxes are used to cover the escalating costs of public safety due to the high percentage of tourists in the area. The town's expenditures relating to public safety are 39% of total expenditures.

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 32% to general fund revenue. The Town Council is committed to promoting new and established businesses in town and last year completed work on the redevelopment of the downtown area. The Town Council recently approved the formation of a Business Committee which worked diligently this year with the town's Planning, Building and Zoning Department to create a business-friendly, overlay district aimed at enhancing the aesthetic appeal of the commercial districts. 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 25% 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.

Four years ago the Town Council approved an advance from its general fund to its newly formed pier enterprise fund, for the purchase of the Surfside Beach Fishing Pier. In 2011 The Town Council elected to defer two (2) years principal re-payment of this advance. In 2013 the Council elected to pay the two deferred payments as well as the payment for 2013. The pier enterprise is expected to pay interest and make on time principal payments over the remaining five year repayment period.

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 transfer levy for stormwater improvements and water quality maintenance has been used to fund such projects. The 5 mill tax transfer fund accumulated over $500,000 from 2003 through 2012 for

future projects. In 2013 the Town Council reduced the tax levy to 1 mill and began construction of the final phase of stormwater projects.

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 Bank which has merged with SCBT Financial Corporation. Each night the town's funds on deposit were 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 transfers most of its risk exposure related to tort, auto liability and property damage through insurance contracts with the South Carolina Municipal Insurance Reserve Fund. A separate policy is held with Moore and Associates of Surfside and underwritten by RSUI Indemnity Corporation for the town's fishing pier. Employee benefits such as workers compensation, medical, dental, vision, and life insurance coverage are provided through contracts with the South Carolina Municipal Insurance Trust, Blue Cross Blue Shield of South Carolina, 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 Blue Cross Blue Shield of South Carolina. COBRA benefits for our Dental and Vision plans are provided through Guardian and are handled by the Town of Surfside Beach.

Major Initiatives – Year in Review

Major Items

Major initiatives completed this year included scheduled paving throughout the town, outsourcing of the parking function to Lanier Parking Solutions, the purchase of new meters and pay stations, completion of the underground wiring project in the pier area on Ocean Boulevard (i.e., 3rd Avenue North to 3rd Avenue South), a major mold remediation in the Council Chamber/Court building, pier enhancements, including a deck and ADA ramp, the completion of ADA restrooms at the Huckabee Sports Complex, the installation of security cameras on a number of beach accesses and key commercial areas within the town, and the rebuilding and enhancement of four dune walkovers.

The Town of Surfside Beach continues to use road fees, collected from vehicle taxes and other Horry County Transportation Committee monies funded by the state gasoline tax and dispersed by the state for the paving of roads, creation and maintenance of sidewalks, and other street-related improvements. This past year we continued with the town's paving schedule throughout the town, completing approximately 2.25 miles.

The overall management of the pay to park function from Dogwood Drive extending east to the beach was outsourced via a contract with Lanier Parking Solutions, which included equipment maintenance and violation enforcement. Although the contract term is five years, the agreement is subject to review after each season to ensure that the profitability of the parking function

remains financially viable. New equipment was purchased by the town which allows parking fees to be paid by cash or credit card. A merchant validation program was also offered to local businesses on a voluntary basis which allowed them to take advantage of flexible and extended parking fee payments for their patrons.

The Town Council Chamber was refurbished in 2012 due to the presence of mold and air quality concerns. The walls and the HVAC system were replaced and ultraviolet lights were installed in the air ducts to impede the growth of microorganisms. A number of additional repairs and improvements to the roof and outside of the structure, aimed at inhibiting mold growth, were also made.

Other projects completed this year included renovating the restrooms at H. Blue Huckabee Complex to be ADA compliant for the athletes and guests using the facilities. The new facilities have proven to be a welcome addition to our disabled patrons and Surfside Beach remains proactive in meeting the needs of the physically challenged population.

Surfside Beach is ever mindful of the need to protect the wellbeing of our citizens and preserve the peaceful lifestyle engendered by the efforts of our local law enforcement. To that end, the Surfside Beach Police Department has recently installed security cameras in several beach accesses and placed a number of others in specific commercial areas to aid in crime prevention and loss. They are also currently engaged in the bid process for a new and comprehensive evidence management system which was approved in the budget for the FY 2013-2014.

In an effort to maintain and preserve our greatest asset, the beach, this year we continued to improve our dune walkovers. This year we completed major rebuilds of three walkovers located at 14th Avenue North, 6th Avenue North and 16th Avenue South. In addition, a smaller-scale rebuild and enhancement of the walkover at 9th Avenue South was also completed.

The Town of Surfside Beach purchased the Surfside Beach fishing pier and properties in October of 2008 and this year completed the construction of an ADA access ramp and the expansion of the pier on the ocean side of the restaurant adding seating for the enjoyment of the public. In addition, pole lighting fixtures were replaced as needed and will serve to improve the aesthetic appeal for patrons. The town's ongoing investment in the pier is supported by the Comprehensive Plan and ensures that it will remain a focal point of the town and continue to promote tourism. This year marked our fourth annual July 4th Celebration which included a grand fireworks display held at the pier. It is estimated that over 45,000 people were in attendance.

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 management and water quality maintenance.

The town's Grounds Department continues to maintain the lakes and stormwater retention areas in the town in an effort to enhance the quality of life for its citizens and those who visit the Town of Surfside Beach. This fall an enhancement was added to the north end of Magnolia Lake. It included the addition of a wooden deck over the weir, indigenous plantings and bench seating for the public to enjoy. In addition, this past fall saw the completion of the engineering project to repair the erosion occurring on and under the banks of the tidal channel at 3rd Avenue South. This effort, scheduled for completion in the spring of 2014, will help stabilize the banks of the outfall and protect the property of those who reside on the south side of the channel. Improvements to the north end stormwater basin are scheduled to begin in early 2014.

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 the state gasoline tax, for paving roads, sidewalks, and other street-related improvements. It is anticipated that 2.5 miles of roads will be resurfaced in the coming year.

In an effort to maintain and preserve our greatest asset, the beach, next year we will continue to improve our dune walkovers. In this coming year major rebuilds are scheduled for the walkovers at 12th Avenue North and 12th Avenue South. A smaller-scale rebuild and enhancement of the walkover at 1st Avenue South is also scheduled.

The town's ongoing investment in the pier is supported by the Comprehensive Plan and ensures that it will remain a focal point of the town and continue to promote tourism. This year the town will make ADA improvements and aesthetic enhancements to the pier parking lot. This will include the paving and addition of pervious spaces to the easternmost end of the pier parking lot. The relocation of handicap parking spaces adjacent to the new pier ramp and a landscaping end cap to comply with the town's new commercial overlay will be part of the enhancement.

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. Improvements to the north end stormwater basin are scheduled to begin in early 2014. In addition, this past fall saw the completion of the engineering project to repair the erosion occurring on and under the banks of the tidal channel at 3rd Avenue South. This effort which will help stabilize the banks of the outfall and protect the property of those who reside on the south side of the channel is scheduled for completion in the spring of 2014. On the south end, the filling in of the 6th Avenue retention pond will be completed utilizing Street Department staff.

In an effort to maximize the life of our existing fleet of emergency fire vehicles, the town engages in a refurbishment effort. This year the overhaul of Engine 58 will move forward with repairs to the pump, striping and lettering, new seats, mounting equipment, emergency lighting, and some additional lighting upgrades. These repairs will bring Engine 58 into NFPA compliance which should help to keep the town's insurance rating low. The estimated completion date for all repairs is mid-February 2014.

In addition, the Fire Department volunteers have been working to make the 1920 antique American La France engine road ready. With funds from SAFER the fire department has been able to purchase needed parts and use in-house labor from various volunteers to ensure the engine will be ready for the annual Christmas Parade.

The 50th Anniversary Committee is continuing to prepare for the town's sesquicentennial anniversary celebration in 2014. Several events including a Founder's Day Weekend Celebration with fireworks are being planned for the entire community to enjoy. In addition a commemorative book and magazine will be published to detail the growth and changes in Surfside Beach over the past 50 years.

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, 2012, which was the twenty fourth (24) consecutive year the town received the award. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the town's auditing firm; 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,

TOWN OF SURFSIDE BEACH

By: Micki C. Fellner, CGCIO
Its Town Administrator

By: Diana H. King
Its Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Surfside Beach
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FINANCIAL SECTION

SURFSIDE BEACH

★ SOUTH CAROLINA ★

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Certified Public Accountants
"SINCE 1977"

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate

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remaining fund information of the Town of Surfside Beach, South Carolina, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

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 through 11 and 45 through 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, individual fund financial statement, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Harper, Poston & Moree, P.A.

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

Pawleys Island, South Carolina
December 4, 2013

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013

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, 2013. Please read it in conjunction with the transmittal letter on page v and the Town's financial statements, which begin on page 12.

Financial Highlights

- The Town's fiscal reporting period is July 1 to June 30.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal period by $20,789,544(net position). Of this amount, $3,306,754 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by $874,950. This is a result of an increase in net position of our business-type activities of $523,873, and an increase in net position of our governmental activities of $351,077.
- The Town's total revenues amounted to $8,740,142 during the year ended June 30, 2013. Revenues and transfers of governmental activities totaled $7,029,141, and revenues and transfers of our business-type activities were $1,711,001.
- During the year ended June 30, 2013, the Town's total expenses amounted to $7,865,192. Expenses of governmental activities totaled $6,678,064, and expenses of our business-type activities were $1,187,128.
- At June 30, 2013, the Town's governmental funds reported combined fund balances of $4,537,393, a decrease of $209,644 in comparison to the prior year.
- There was a decrease in the Town's investment in capital assets for the current fiscal year of $123,308 for governmental activities and an increase of $337,401 for our business-type activities. The increase in business-type activities is due to the purchase of a new sanitation truck and improvements to the pier.
- At June 30, 2013, the Town has paid off the outstanding general obligation bonds.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position 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 position 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 position and changes in them. You can think of the Town's net position, 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 position 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 position and the statement of activities, we have divided the Town into two kinds of activities:

- *Governmental Activities* - Most of the Town's basic services are reported here, including general government, public safety, building and zoning, grounds, street, culture and recreation, and interest and fiscal charges. Property taxes, local accommodations taxes, business license taxes, franchise taxes, and hospitality fees and grants, finance the majority of these activities.

- *Business-Type Activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sanitation activities and fishing pier and properties are reported here.

Reporting the Town's Funds

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

- *Governmental Funds* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the "modified accrual basis of accounting", which measures cash and all other financial assets that can readily be converted to cash. This is also known as the financial resource measurement focus. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship between governmental activities (reported in the statement of net position 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 position 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 position 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 position at June 30, 2013 and June 30, 2012 are shown below.

THE TOWN'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	$ 5,743,242	$ 5,456,422	$ (191,020)	$ (345,766)	$ 5,552,222	$ 5,110,656
Capital Assets (Net)	13,489,551	13,612,859	3,538,083	3,200,682	17,027,634	16,813,541
Total Assets	$19,232,793	$19,069,281	$3,347,063	$ 2,854,916	$22,579,856	$21,924,197
Long-Term Liabilities	$ 768,374	$ 833,175	$ 12,151	$ 14,785	$ 780,525	$ 847,960
Other Liabilities	936,590	1,067,754	73,197	77,990	1,009,787	1,145,744
Total Liabilities	$ 1,704,964	$ 1,900,929	$ 85,348	$ 92,775	$ 1,790,312	$ 1,993,704
Net Position:						
Invested in Capital Assets	$12,904,376	$12,541,758	$3,538,083	$ 3,200,682	$16,442,459	$15,742,440
Restricted	1,040,331	1,211,314			1,040,331	1,211,314
Unrestricted	3,583,122	3,415,280	(276,368)	(438,541)	3,306,754	2,976,739
Total Net Position	$17,527,829	$17,168,352	$3,261,715	$ 2,762,141	$20,789,544	$19,930,493

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position at June 30, 2013 was $20,789,544, an increase of $859,051 or 4.3%, 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 $488,147 for debt service payments.

A portion of the Town's net position, 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 position, currently $1,040,331 or 5.0% represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net position, in the amount of $3,306,754 is currently 16.0% of total net position. Unrestricted Net Position 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 position, for governmental activities.

Changes in the Town's net position during the years ended June 30, 2013 and June 30, 2012 are shown below.

THE TOWN'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	$ 458,317	$ 567,723	$ 1,460,076	$ 1,354,164	$ 1,918,393	$ 1,921,887
Operating Grants and Contributions	296,602	593,738		7,858	296,602	601,596
Capital Grants and Contributions	296,415	355,945		162,500	296,415	518,445
General Revenues:						
Property Taxes	2,436,542	2,431,443			2,436,542	2,431,443
Local Accommodations Taxes	150,517	154,171			150,517	154,171
Business License Taxes	1,535,250	1,352,422			1,535,250	1,384,337
Franchise Taxes	586,016	572,541			586,016	572,541
Hospitality Taxes	667,065	673,177			667,065	673,177
Grants and Contributions Not Restricted to Specific Programs	785,228	655,172			785,228	655,172
Investment Earnings	32,445	31,938	2,860	3,749	35,305	35,687
Gain on Disposal Of Capital Assets	17,337	47,106	3,542	8,529	20,879	55,635
Other General Revenues	11,930	10,675			11,930	10,675
Total Revenues	$ 7,273,664	$ 7,446,051	$ 1,466,478	$ 1,536,800	$ 8,740,142	$ 8,982,851
Expenses:						
General Government	$ 1,560,174	$1,574,344	$	$	$ 1,560,174	$1,574,344
Public Safety	2,996,133	2,871,037			2,996,133	2,871,037
Building and Zoning	235,281	252,842			235,281	252,842
Grounds	351,443	291,739			351,443	291,739

THE TOWN'S CHANGES IN NET POSITION (continued)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Street	1,189,910	1,483,694			1,189,910	1,483,694
Culture and Recreation	312,600	380,666			312,600	380,666
Interest and Fiscal Charges	32,523	51,603			32,523	51,603
Sanitation			1,029,668	1,058,807	1,029,668	1,058,807
Pier			157,460	100,133	157,460	100,133
Total Expenses	$ 6,678,064	$6,905,925	$ 1,187,128	$ 1,158,940	$ 7,865,192	$ 8,064,865
Change in Net Position Before Transfers	$ 595,600	$ 540,126	$ 279,350	$ 377,860	$ 874,950	$ 917,986
Transfers	(244,523)	45,095	244,523	(45,095)		
Change in Net Position	351,077	585,221	523,873	332,765	874,950	917,986
Net Position – Beginning	$17,168,352	$16,583,131	$ 2,762,141	$ 2,429,376	$19,930,493	$19,012,507
Adjustment to Net Position (Note 17)	$ 8,400		$ (24,299)		$ (15,899)	
Net Position - Ending	$17,527,829	$17,168,352	$3,261,715	$ 2,762,141	$20,789,544	$19,930,493

The Town's total revenues amounted to $8,740,142 for the twelve months ended June 30, 2013. This is a decrease of $242,709 or 2.7%. The total cost of all programs and services was $7,865,192 which decreased by $199,673 or 2.5%. The decrease in both revenue and expenses is mainly attributable to governmental activities.

Governmental Activities

The Town's net position from governmental activities increased $351,077, accounting for 40.1% of the total growth in net position of the Town. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from $3,415,280 at June 30, 2012 to $3,583,122 at the end of this year. This is a 4.9% increase.

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 decreased by 2.3% or $172,387, and total expenditures decreased 3.3% or $227,861. The decreased revenues were mainly attributable to operating and capital grants and contributions. Operating grants decreased by $297,136 due to the reimbursement of expense from an underground utility wiring project and reimbursement for storm water projects that were received during the prior year and not current year. The decreased expenditures were mainly attributable to the costs associated with the underground wiring utility project and the Horry County storm water projects that were spent during the prior fiscal year and not current, these expenditures were realized prior year in the street department function.

The cost of all governmental activities this year was $6,678,064. However, as shown in the statement of activities beginning on page 13, the amount that our taxpayers ultimately financed for these activities was only $5,626,730 because some of the cost was paid by those who directly benefited from the programs ($458,317) or by other governments and organizations that subsidized certain programs with grants and contributions ($593,017). Overall, the Town's governmental program revenues were $1,051,334. 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 $5,977,807.

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 position from our business-type activities increased $499,574, which accounts for 59.9% of the total increase in the Town's net position. The change in net position of our business-type activities is mainly attributable to contributions of $375,000 from the Hospitality Fund.

Total revenue from the Town's business-type activities decreased by 4.6%, or $70,322 for the year ended June 30, 2013.

The cost of our business-type activities this year was $1,187,128. As shown in the statement of activities which starts on page 13, the amounts paid by users was $1,460,076, investment earnings were $2,860, the gain on disposal of capital assets was $3,542, and general transfers totaled $244,523.

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 $4,537,393 a decrease of ($209,644) in comparison with the prior period. Approximately 28.7% of this total ($1,301,738) 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 $1,301,738 while the total general fund balance amounted to $3,362,128. The General Fund's fund balance decreased by ($104,004) during the current year. The decrease is attributable to a deficiency in revenues over expenditures.

In the Accommodations Tax Fund, fund balance increased by $81,256 to $142,276 at fiscal year end. The increase in fund balance is attributable to greater than anticipated State Accommodations Taxes received during the period of $164,905. Approximately 9.1% of total fund balance is classified nonspendable for prepaid items ($12,911). The remaining fund balance is restricted.

Total fund balance of the Hospitality Fund was $369,888 at June 30, 2013, a decrease of $453,297 from the prior year. Of this total $148,001 is restricted for tourism promotion and support, the remaining fund balance of $221,887 is assigned for parking, land acquisition, other capital improvements and beach renourishment. The decrease is attributable to transfers of $816,880 made to other funds.

The Local Accommodations Tax Fund, fund balance increased by $14,811 to $46,685 at June 30, 2013. 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 $596,668 at year end, an increase of $246,754 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 position of the Town's Sanitation Fund at year end amounted to $656,648. The increase in net position of the Sanitation Fund was $82,984; this is attributable to operating income before transfers of $182,984. Unrestricted net position of the Town's Pier Fund at year end amounted to ($764,468). Although total net position of this fund is $2,084,888, the Pier fund has an advance due to the General Fund of $815,000, which was used to finance the purchase of the pier and pier properties. The increase in net position of the Pier Fund was $476,119.

General Fund Budgetary Highlights

The original budget was amended during the fiscal year. Revenues available for appropriation were $97,495 greater than budgeted amounts. Revenues were greater than anticipated due to prior year contested revenues that were not received until current year. The actual charges to appropriations (expenditures) were $251,723 less than the final budgeted amounts. The most significant positive variances are directly attributable to the following programs; general government $67,895, public safety $71,660, streets $37,123, culture and recreation $42,182, and building and zoning $24,635.

During the fiscal year, there was an increase in appropriations of $355,930 between the original and final budget. This increase is mainly attributable to additional capital outlay of $271,000 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, 2013 amounted to $17,027,634 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, machinery, equipment, vehicles and infrastructure. The change in the Town's investment in capital assets for the current fiscal year was a decrease $123,308 or 0.9%, for governmental activities and an increase of $337,401 or 10.5%, for our business-type activities.

A schedule of the Town's capital assets (net of accumulated depreciation) for the fiscal years ended June 30, 2013 and June 30, 2012 follows:

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 2,375,722	$ 2,375,722	$ 1,508,771	$ 1,508,771	$ 3,884,493	$ 3,884,493
Land Improvements	1,153,157	991,645			1,153,157	991,645
Buildings and Improvements	3,015,464	3,076,253	1,340,075	1,038,350	4,355,539	4,114,603
Machinery, Equipment And Vehicles	2,289,709	2,277,088	689,237	499,924	2,978,946	2,777,012
Infrastructure	4,655,499	4,892,151			4,655,499	4,892,151
Construction-in-Progress	0	0	0	153,637	0	153,637
	$13,489,551	$ 13,612,859	$ 3,538,083	$ 3,200,682	$17,027,634	$16,813,541

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, 2013, included the following:

2013 Mack Truck	262,462
Street Resurfacing	214,363
Pier ADA Ramp	148,021
Pier Piling	145,652
9 Pay Stations	133,094
Pier Pile Wrap	86,489
Courthouse Mold Remediation	41,582
Parking Meters	40,026
2013 Ford Interceptor	30,742
2009 Chevy Trailblazer	21,667
2012 John Deere	20,593
2-John Deere Gators	20,304
2010 Ford Fusion	18,735
Wildfire Camera System	18,174
2010 Ford Fusion	14,207

Debt

At fiscal year end, the Town had $0 in outstanding general obligation bonds.

THE TOWN'S OUTSTANDING DEBT
Bonds Payable

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	$ 0	$ 415,000	$ 0	$ 0	$ 0	$ 415,000
Total Long-Term Debt	$ 0	$ 415,000	$ 0	$ 0	$ 0	$ 415,000

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, 2013, the amount of new debt, which could be issued without referendum, was $4,715,063.

Other long-term obligations of the Town include a capital lease for financing the acquisition of a fire truck, $585,175 and compensated absences of $384,182. 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 2014 budget, 2013 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 2014. Revenues and transfers available for appropriation in the General Fund budget are $5,848,636, an increase of $26,249 over the final fiscal year 2013 budget of $5,822,387. 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 $5,557,932 from $6,366,130 in fiscal year 2013; the decrease of $808.198 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 2014 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 2014 will remain at the level set by Town Council in February 2013. Revenues available for appropriation in the Sanitation and Pier Fund budgets are $1,142,800, and $377,500 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 $1,170,186 and $207,810 respectively in fiscal year 2014.

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.

SURFSIDE BEACH

★ SOUTH CAROLINA ★

BASIC FINANCIAL STATEMENTS

SURFSIDE BEACH

SOUTH CAROLINA

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 2,816,677	$ 531,050	$ 3,347,727
Receivables (Net of Allowance)	1,771,663	248,563	2,020,226
Internal Balances	983,548	(983,548)	
Inventories	373		373
Prepaid Assets	137,456	12,915	150,371
Restricted Cash and Cash Equivalents	33,525		33,525
Land	2,375,722	1,508,771	3,884,493
Other Capital Assets (Net)	11,113,829	2,029,312	13,143,141
Total Assets	$ 19,232,793	$ 3,347,063	$ 22,579,856
LIABILITIES			
Accounts Payable and Accrued Expenses	$ 573,834	$ 58,234	$ 632,068
Accrued Salaries	117,035		117,035
Accrued Interest Payable	11,213		11,213
Liabilities Payable From Restricted Assets	33,525		33,525
Noncurrent Liabilities:			
Due Within One Year	200,983	14,963	215,946
Due in More Than One Year	768,374	12,151	780,525
Total Liabilities	$ 1,704,964	$ 85,348	$ 1,790,312
NET POSITION			
Net Investment In Capital Assets	$ 12,904,376	$ 3,538,083	$ 16,442,459
Restricted For Tourism Promotion and Support	336,962		336,962
Restricted For Public Safety and Drug Enforcement	45,284		45,284
Restricted For Street Improvements	658,085		658,085
Unrestricted	3,583,122	(276,368)	3,306,754
Total Net Position	$ 17,527,829	$ 3,261,715	$ 20,789,544

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General Government	$ 1,560,174	$ 126,223	$	$
Public Safety	2,996,133	192,608	26,921	
Building and Zoning	235,281	116,410		
Grounds	351,443			
Street	1,189,910		248,974	296,415
Culture and Recreation	312,600	23,076	20,707	
Interest and Fiscal Charges	32,523			
Total Governmental Activities	$ 6,678,064	$ 458,317	$ 296,602	$ 296,415
Business-Type Activities:				
Sanitation	$ 1,029,668	$ 1,171,778	$	$
Pier	157,460	288,298		
Total Business-Type Activities	$ 1,187,128	$ 1,460,076	$	$
Total	$ 7,865,192	$ 1,918,393	$ 296,602	$ 296,415

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 Position

Net Position - Beginning

Adjustment to Beginning Net Position (Note 16)

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (1,433,951)	$	$ (1,433,951)
(2,776,604)		(2,776,604)
(118,871)		(118,871)
(351,443)		(351,443)
(644,521)		(644,521)
(268,817)		(268,817)
(32,523)		(32,523)
$ (5,626,730)	$	$ (5,626,730)
$	$ 142,110	$ 142,110
	130,838	130,838
$	$ 272,948	$ 272,948
$ (5,626,730)	$ 272,948	$ (5,353,782)
$ 2,436,542	$	$ 2,436,542
150,517		150,517
1,535,250		1,535,250
586,016		586,016
667,065		667,065
785,228		785,228
32,445	2,860	35,305
17,337	3,542	20,879
11,930		11,930
(244,523)	244,523	
$ 5,977,807	$ 250,925	$ 6,228,732
$ 351,077	$ 523,873	$ 874,950
17,168,352	2,762,141	19,930,493
8,400	(24,299)	(15,899)
$ 17,527,829	$ 3,261,715	$ 20,789,544

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Accommodations Tax Fund	Hospitality Fund
ASSETS			
Cash and Cash Equivalents	$ 1,748,714	$ 57,827	$ 375,950
Receivables (Net):			
Property Taxes	104,833		
Hopitality Taxes			114,187
Local Accommodations Taxes			
Business Licenses	32,480		
Intergovernmental	1,315,617	174,440	
Inventories	373		
Prepaid Assets	124,545	12,911	
Due From Other Funds	81,500		
Advances To Other Funds	733,500		
Restricted Cash and Cash Equivalents	26,176		
Total Assets	$ 4,167,738	$ 245,178	$ 490,137

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

Local Accommodations Tax Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
$ 16,626	$ 597,812	$ 19,748	$ 2,816,677
			104,833
			114,187
30,106			30,106
			32,480
			1,490,057
			373
			137,456
			81,500
			733,500
		7,349	33,525
$ 46,732	$ 597,812	$ 27,097	$ 5,574,694

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Accommodations Tax Fund	Hospitality Fund
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	$ 349,492	$ 102,902	$ 120,249
Accrued Salaries	117,035		
Compensated Absences Payable	18,069		
Payable From Restricted Assets:			
Bail Bonds	26,176		
Drug Funds			
Deferred Revenue	294,838		
Total Liabilities	$ 805,610	$ 102,902	$ 120,249
Fund Balances:			
Nonspendable:			
Inventories	$ 373	$	$
Prepaid Items	124,545	12,911	
Advances	733,500		
Restricted for:			
Victim's Advocate Program	25,536		
Street Improvements	658,085		
Tourism Promotion and Support		129,365	148,001
Drug Enforcement Program			
Assigned to:			
Capital Replacements	518,351		
Land, Meters, and Parking Purposes			148,169
Beach Renourishment			73,718
Storm Water Projects			
Unassigned	1,301,738		
Total Fund Balances	$ 3,362,128	$ 142,276	$ 369,888
Total Liabilities and Fund Balances	$ 4,167,738	$ 245,178	$ 490,137

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

Local Accommodations Tax Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
$ 47	$ 1,144	$	$ 573,834
			117,035
			18,069
			26,176
		7,349	7,349
			294,838
$ 47	$ 1,144	$ 7,349	$ 1,037,301
$	$	$	$ 373
			137,456
			733,500
			25,536
			658,085
46,685			324,051
		19,748	19,748
			518,351
			148,169
			73,718
	596,668		596,668
			1,301,738
$ 46,685	$ 596,668	$ 19,748	$ 4,537,393
$ 46,732	$ 597,812	$ 27,097	$ 5,574,694

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances - Total Governmental Funds	$	4,537,393
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		13,489,551
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		294,838
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.		168,548
Long-term liabilities, including bonds and leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(962,501)
Net Position of Governmental Activities	$	17,527,829

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

SURFSIDE BEACH

★ SOUTH CAROLINA ★

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Accommodations Tax Fund	Hospitality Fund
REVENUES			
Property Taxes	$ 2,143,555	$	$
Franchise Fees	586,016		
Hospitality Taxes			667,065
Local Accommodations Taxes			
Licenses and Permits	1,653,590		
Fines and Forfeitures	160,154		
Intergovernmental	578,606	614,905	4,000
Other	84,729	3,938	139,311
Total Revenues	$ 5,206,650	$ 618,843	$ 810,376
EXPENDITURES			
Current:			
General Government	$ 994,020	$	$
Public Safety	2,399,955	85,475	208,223
Building and Zoning	235,210		
Grounds	235,527	10,640	31,857
Street	878,574	50,579	
Intragovernmental Maintenance	121,971		
Culture and Recreation	211,138	61,612	11,500
Non-Departmental	110,571	217,640	
Capital Outlay	363,942	57,146	218,621
Debt Service:			
Principal	488,147		
Interest	29,352		
Agent Fees	1,000		
Total Expenditures	$ 6,069,407	$ 483,092	$ 470,201
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (862,757)	$ 135,751	$ 340,175
OTHER FINANCING SOURCES (USES)			
Transfers In	$ 762,778	$	$ 19,519
Transfers Out	(19,519)	(54,495)	(816,880)
Proceeds From Sale of Capital Assets	15,494		3,889
Total Other Financing Sources (Uses)	$ 758,753	$ (54,495)	$ (793,472)
Net Change in Fund Balances	$ (104,004)	$ 81,256	$ (453,297)
Beginning Fund Balance	3,466,132	89,739	794,466
Adjustment to Beginning Fund Balance (Note 16)		(28,719)	28,719
Ending Fund Balance	$ 3,362,128	$ 142,276	$ 369,888

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

Local Accommodations Tax Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
$	$ 303,054	$	$ 2,446,609
			586,016
			667,065
150,517			150,517
			1,653,590
			160,154
		7,056	1,204,567
220	989	11	229,198
$ 150,737	$ 304,043	$ 7,067	$ 7,097,716
$	$	$	$ 994,020
		10,631	2,704,284
			235,210
	21,815		299,839
	35,474		964,627
			121,971
			284,250
			328,211
			639,709
			488,147
			29,352
			1,000
$	$ 57,289	$ 10,631	$ 7,090,620
$ 150,737	$ 246,754	$ (3,564)	$ 7,096
$	$	$	$ 782,297
(135,926)			(1,026,820)
			19,383
$ (135,926)	$	$	$ (225,140)
$ 14,811	$ 246,754	$ (3,564)	$ (218,044)
31,874	349,914	14,912	4,747,037
		8,400	8,400
$ 46,685	$ 596,668	$ 19,748	$ 4,537,393

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, 2013

Net Change in Fund Balances - Total Governmental Funds	$	(218,044)
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 depreciation exceeded capital outlay in the current period.		(121,262)
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 position differs from the change in fund balances by the book value of the capital assets sold or otherwise disposed of.		(2,046)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		158,611
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.		35,230
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.		488,147
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.		10,441
Change in Net Position of Governmental Activities	$	351,077

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Sanitation Enterprise Fund	Pier Enterprise Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 460,575	$ 70,475	$ 531,050
Accounts Receivables (Net)	236,427	12,136	248,563
Prepaid Assets	12,915		12,915
Total Current Assets	$ 709,917	$ 82,611	$ 792,528
Noncurrent Assets:			
Land	$	$ 1,508,771	$ 1,508,771
Other Capital Assets (Net)	688,727	1,340,585	2,029,312
Total Noncurrent Assets	$ 688,727	$ 2,849,356	$ 3,538,083
Total Assets	$ 1,398,644	$ 2,931,967	$ 4,330,611
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	$ 26,155	$ 32,079	$ 58,234
Compensated Absences	14,963		14,963
Due To Other Fund		81,500	81,500
Total Current Liabilities	$ 41,118	$ 113,579	$ 154,697
Noncurrent Liabilities:			
Compensated Absences	$ 12,151	$	$ 12,151
Advances From Other Fund		733,500	733,500
Total Noncurrent Liabilities	$ 12,151	$ 733,500	$ 745,651
Total Liabilities	$ 53,269	$ 847,079	$ 900,348
NET POSITION			
Invested in Capital Assets	$ 688,727	$ 2,849,356	$ 3,538,083
Unrestricted	656,648	(764,468)	(107,820)
Total Net Position	$ 1,345,375	$ 2,084,888	$ 3,430,263
Adjustment to reflect vehicle maintenance allocation from governmental activities.			(168,548)
Net Position of Business-Type Activities			$ 3,261,715

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 POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Sanitation Enterprise Fund	Pier Enterprise Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for Services	$ 1,171,778	$ 288,298	$ 1,460,076
OPERATING EXPENSES			
Personnel Service and Related Expenses	$ 501,783	$ 3,230	$ 505,013
Maintenance and Service Contracts	367,801	11,527	379,328
Materials and Supplies	13,445	4,994	18,439
Repairs and Maintenance	557	5,669	6,226
Depreciation	81,946	83,495	165,441
Other Operating Expenses	28,906	11,328	40,234
Total Operating Expenses	$ 994,438	$ 120,243	$ 1,114,681
Operating Income (Loss)	$ 177,340	$ 168,055	$ 345,395
NONOPERATING REVENUES			
Interest Earnings	$ 2,102	$ 758	$ 2,860
Interest Expense		(25,564)	(25,564)
Gain (Loss) on Disposal of Assets	3,542	(11,653)	(8,111)
Total Nonoperating Revenues	$ 5,644	$ (36,459)	$ (30,815)
Income (Loss) Before Transfers	$ 182,984	$ 131,596	$ 314,580
Transfers In		375,000	375,000
Transfers Out	(100,000)	(30,477)	(130,477)
Change in Net Position	$ 82,984	$ 476,119	$ 559,103
Total Net Position - Beginning	1,286,690	1,608,769	
Adjustment to Beginning Net Position (Note 16)	(24,299)		
Total Net Position - Ending	$ 1,345,375	$ 2,084,888	
Adjustment to reflect vehicle maintenance allocation from governmental activities.			(35,230)
Change in Net Position of Business-Type Activities			$ 523,873

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, 2013

	Sanitation Enterprise Fund	Pier Enterprise Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 1,115,008	$ 295,305	$ 1,410,313
Payments to Suppliers	(429,048)	(31,288)	(460,336)
Payments to Employees	(506,016)	(3,230)	(509,246)
Net Cash and Cash Equivalents Provided by Operating Activities	$ 179,944	$ 260,787	$ 440,731
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	$	$ 375,000	$ 375,000
Transfers Out	(100,000)	(30,477)	(130,477)
Net Cash and Cash Equivalents Provided (Used) by Noncapital Financing Activities	$ (100,000)	$ 344,523	$ 244,523
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	$ (262,462)	$ (253,143)	$ (515,605)
Proceeds from Disposal of Capital Assets	3,542	1,110	4,652
Repayment of Interfund Loan to General Fund		(489,000)	(489,000)
Interest Paid on Interfund Loan to General Fund		(25,564)	(25,564)
Net Cash and Cash Equivalents (Used) by Capital and Related Financing Activities	$ (258,920)	$ (766,597)	$ (1,025,517)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	$ 2,102	$ 758	$ 2,860
Net Cash and Cash Equivalents Provided by Investing Activities	$ 2,102	$ 758	$ 2,860
Net Increase in Cash and Cash Equivalents	$ (176,874)	$ (160,529)	$ (337,403)
Cash and Cash Equivalents - Beginning	637,449	231,004	868,453
Cash and Cash Equivalents - Ending	$ 460,575	$ 70,475	$ 531,050

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, 2013

	Sanitation Enterprise Fund	Pier Enterprise Fund	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents Provided by Operating Activities			
Operating Income (Loss)	$ 177,340	$ 168,055	$ 345,395
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Cash Equivalents Provided by Operating Activities:			
Depreciation	81,946	83,495	165,441
(Increase) Decrease in Accounts Receivable (Net)	(56,770)	7,007	(49,763)
(Increase) Decrease in Prepaid Assets	(12,915)		(12,915)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(6,399)	2,230	(4,169)
Increase (Decrease) in Compensated Absences	(3,258)		(3,258)
Net Cash and Cash Equivalents Provided by Operating Activities	$ 179,944	$ 260,787	$ 440,731

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

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2013

ASSETS	
Cash and Cash Equivalents	$ 22,918
LIABILITIES	
Due to Firemen's Association	$ 22,918

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

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 possesses 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, and, as such administers the daily operations of the Town through appointed department heads.

The Town's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town applies all relevant GASB pronouncements.

The 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. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, based on Statement No. 14 of the GASB, as amended by GASB Statement No. 61. 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.

B. Government-Wide Financial Statements

The Town implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the current year. The reader will note a change in the terminology from "net assets" to "net position"; otherwise, the implementation of this statement does not have any impact on the Town's financial statements.

The Town's government-wide financial statements (i.e., the statement of net position 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.

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 position 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 position, 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

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 position and changes in net position 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.

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.

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.

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:

	Years
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 position. 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 position and is displayed in the following components:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings, and deferred outflows and/or inflows of resources that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – Consists of net position 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 Position – Any remaining balance of net position that does not meet the definition of restricted or net investment in capital assets.

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. Assigned fund balance is established by Town Council through resolution or by delegated assignment authority to the Town's administrator, but retains the right to undo any assignments created by Town personnel. 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.

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 position of governmental activities as reported in the government-wide statement of net position. The details of the element in the reconciliation that relates to long-term liabilities ($962,501) follows:

Capital Leases Payable	$	(585,175)
Compensated Absences		(366,113)
Accrued Interest Payable		(11,213)
Total	$	(962,501)

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 position of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation that relates to capital outlays ($121,262) is comprised of the following:

Depreciation Expense	$	(760,971)
Capital Outlay, Net of Trade-In Allowance		639,709
Total	$	(121,262)

Another element of the reconciliation that relates to expenses that do not require the use of current financial resources ($10,441) is comprised of the following:

Compensated Absences	$	12,612
Accrued Interest		5,587
Amortization of Bond Issuance Costs		(5,537)
Amortization of Bond Premium		2,411
Amortization of Loss on Advance Refunding		(4,632)
Total	$	10,441

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, 2013, expenditures did not exceed appropriations for any of the Town's individual funds.

B. Deficit Fund Equity

At June 30, 2013, none of the Town's individual funds have fund equity deficits.

Note 4 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2013, the carrying amount of the Town's deposits with financial institutions was $3,401,145 and the corresponding bank balance was $3,556,081. 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, 2013, none of the Town's bank balances were exposed to custodial credit risk.

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, 2013 for individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	A-Tax Fund	Hospitality Fund	Local A-Tax Fund	Totals
Governmental Activities:					
Property Taxes	$ 200,378	$	$	$	$ 200,378
Hospitality Taxes			114,187		114,187
Local A-Taxes				30,106	30,106
Business Licenses	32,480				32,480
Intergovernmental	1,315,617	174,440			1,490,057
	$ 1,548,475	$ 174,440	$ 114,187	$ 30,106	$ 1,867,208
Allowance	(95,545)				(95,545)
Net Receivables	$ 1,452,930	$ 174,440	$ 114,187	$ 30,106	$ 1,771,663

	Sanitation Fund	Pier Fund	Totals
Business-Type Activities:			
Customer Accounts	$ 237,927	$ 12,136	$ 250,063
	$ 237,927	$ 12,136	$ 250,063
Allowance	(1,500)		(1,500)
Net Receivables	$ 236,427	$ 12,136	$ 248,563

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.

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, 2013, interfund receivables and payables from interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds	Advances To Other Funds	Advances From Other Funds
General Fund	$ 81,500	$	$ 733,500	$
Pier Fund		81,500		733,500
Total	$ 81,500	$ 81,500	$ 733,500	$ 733,500

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 and resume payments as scheduled after this period. During the current year, the Town repaid the deferred principal payments and also paid the 2013 annual installment. The amount expected to be paid within one year is $81,500.

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	$ 762,778	$ 19,519
Accommodations Tax Fund		54,495
Hospitality Fund	19,519	816,880
Local Accommodations Tax Fund		135,926
Sanitation Fund		100,000
Pier Fund	375,000	30,477
Total	$ 1,157,297	$ 1,157,297

Note 7 - RESTRICTED CASH AND CASH EQUIVALENTS

The Town's restricted cash and cash equivalents consisted of the following at June 30, 2013:

	General Fund	Non-Major Governmental Fund	Totals
Governmental Actvities:			
Bail Bonds	$ 26,176	$	$ 26,176
Drug Funds		7,349	7,349
Total	$ 26,176	$ 7,349	$ 33,525

Note 8 - CAPITAL ASSETS

The Town's capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 2,375,722	$	$	$ 2,375,722
	$ 2,375,722	$	$	$ 2,375,722
Capital Assets Being Depreciated:				
Land Improvements	$ 1,374,876	$ 229,932	$	$ 1,604,808
Building Improvements	3,909,527	48,082		3,957,609
Machinery, Equipment & Vehicles	4,565,443	372,995	(158,346)	4,780,092
Infrastructure	6,000,798			6,000,798
	$ 15,850,644	$ 651,009	$ (158,346)	$ 16,343,307
Less Accumulated Depreciation for:				
Land Improvements	$ (383,231)	$ (68,420)	$	$ (451,651)
Building Improvements	(833,274)	(108,871)		(942,145)
Machinery, Equipment & Vehicles	(2,288,355)	(347,028)	145,000	(2,490,383)
Infrastructure	(1,108,647)	(236,652)		(1,345,299)
	$ (4,613,507)	$ (760,971)	$ 145,000	$ (5,229,478)
Capital Assets (Net)	$ 13,612,859	$ (109,962)	$ (13,346)	$ 13,489,551
Business-Type Activities:				
Capital Assets not Depreciated:				
Land	$ 1,508,771	$	$	$ 1,508,771
Construction in Progress	153,637	226,524	(380,161)	
	$ 1,662,408	$ 226,524	$ (380,161)	$ 1,508,771
Capital Assets Being Depreciated:				
Buildings	$ 1,255,743	$ 380,161	$	$ 1,635,904
Machinery, Equipment and Vehicles	1,102,410	289,081	(69,346)	1,322,145
	$ 2,358,153	$ 669,242	$ (69,346)	$ 2,958,049
Less Accumulated Depreciation for:				
Buildings	$ (217,393)	$ (78,436)	$	$ (295,829)
Machinery, Equipment and Vehicles	(602,486)	(87,005)	56,583	(632,908)
	$ (819,879)	$ (165,441)	$ 56,583	$ (928,737)
Capital Assets (Net)	$ 3,200,682	$ 730,325	$ (392,924)	$ 3,538,083

Note 8 - CAPITAL ASSETS (continued)

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

Governmental Activities:		
General Government	$	226,149
Public Safety		289,288
Building and Zoning		2,463
Grounds		40,195
Street		177,817
Culture and Recreational		25,059
Total	$	760,971
Business-Type Activities:		
Sanitation	$	81,946
Pier		83,495
Total	$	165,441

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, 2013, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

		General Fund
Unavailable:		
Property Taxes	$	95,254
Underground Wire Revenues		199,584
Total Unavailable	$	294,838
Total Deferred Revenue	$	294,838

Note 10 - LONG-TERM LIABILITIES

A. Governmental Activities – General Obligation Bonds

General obligation bonds issued for governmental activities and currently outstanding at June 30, 2013, are as follows:

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

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.

Note 10 - LONG-TERM LIABILITIES (continued)

B. Governmental Activities – Capital Leases

Capital leases entered into for governmental activities and currently outstanding at June 30, 2013, are as follows:

	Original Issue	Interest Rate	Maturity Date	Outstanding
Captial Leases:				
Fire Truck Lease Purchase (2010)	$ 731,469	2.52%	10/01/20	$ 585,175

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, 2013 for governmental activities is $738,532 with corresponding accumulated depreciation of $113,174. 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:

	Principal	Interest	Total
Year Ending June 30,			
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
2018	73,147	7,476	80,623
2019 - 2020	219,440	11,219	230,659
Total	$ 585,175	$ 67,311	$ 652,486

C. Changes in Long-Term Liabilities

The Town's long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation	$ 415,000	$	$ (415,000)	$	$
Premium	2,411		(2,411)		
Loss on Refunding	(4,632)		4,632		
Total Bonds Payable	$ 412,779	$	$ (412,779)	$	$
Capital Leases	658,322		(73,147)	585,175	73,147
Compensated Absences	379,088	140,225	(135,131)	384,182	127,836
Total	$ 1,450,189	$ 140,225	$ (621,057)	$ 969,357	$ 200,983
Business-Type Activities:					
Compensated Absences	$ 30,372	$ 25,767	$ (29,025)	$ 27,114	$ 14,963

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

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 $253,855.

The rental income recognized for the lease for the current fiscal year was $24,774. Future minimum lease payments to be received on the lease for the first five (5) year term is as follows.

Year Ending June 30,		
2014	$	29,774
2015		34,774
2016		39,774
2017		21,308
Total	$	125,630

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 7.00% of their covered wages. The Town is required to contribute at actuarially determined rates, currently 12.10 % of PORS member wages and 10.60% 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, 2013, June 30, 2012, and June 30, 2011 were $149,592, $144,582, and $122,690, respectively. The Town's contributions to the SCRS for the fiscal periods ended June 30, 2013, June 30, 2012, and June 30, 2011 were $185,042, $178,619, $159,250, respectively. The contributions made by the Town to the PORS and SCRS, as shown above, were equal to the required contributions for each period.

Note 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, 2013, June 30, 2012, and June 30, 2011. 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 POSITION RESTRICTIONS

The Town has restricted net position in the amount of $336,962 for tourism promotion and support. Of this amount, $194,686 has been restricted through enabling legislation to be financed by the Town's local hospitality and accommodations taxes.

Note 16 - NET POSITION/FUND BALANCE RESTATEMENTS

During the current year, the following errors were discovered. These errors were corrected by restating net position and fund balances as follows:

	Governmental Net Position	Governmental Fund Balances
As Originally Reported	$ 17,168,352	$ 4,747,037
Grant Revenues Incorrectly Recognized in A-Tax Fund	(28,719)	(28,719)
Grant Revenues Not Recognized in Hospitality Fund	28,719	28,719
Unrecognized Revenue of Seized Drug Fund	8,400	8,400
As Restated	$ 17,176,752	$ 4,755,437

Note 16 - NET POSITION/FUND BALANCE RESTATEMENTS (continued)

The effect of these errors understated the changes in net position of governmental activities and the change in fund balances of governmental funds for the year ended June 30, 2012 by $8,400.

	Business-Type Net Position	Proprietary Net Position
As Originally Reported	$ 2,762,141	$ 2,895,459
Overstatement of Accounts Receivable in Sanitation Fund	(24,299)	(24,299)
As Restated	$ 2,737,842	$ 2,871,160

The effect of this error overstated the changes in net position of business-type activities and the change in net position of proprietary funds for prior years by $24,299.

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Property Taxes	$ 2,184,000	$ 2,184,000	$ 2,143,555	$ (40,445)
Franchise Fees	584,600	584,600	586,016	1,416
Licenses and Permits	1,493,000	1,493,000	1,653,590	160,590
Fines and Forfeitures	195,000	195,000	160,154	(34,846)
Intergovernmental	547,720	547,720	578,606	30,886
Other	104,835	104,835	84,729	(20,106)
Total Revenues	$ 5,109,155	$ 5,109,155	$ 5,206,650	$ 97,495
EXPENDITURES				
Current:				
General Government	$ 1,048,415	$ 1,061,915	$ 994,020	$ 67,895
Public Safety	2,407,785	2,471,615	2,399,955	71,660
Building and Zoning	258,345	259,845	235,210	24,635
Grounds	248,097	250,097	235,527	14,570
Street	912,697	915,697	878,574	37,123
Intragovernmental Maintenance	123,193	123,793	121,971	1,822
Culture and Recreation	252,820	253,320	211,138	42,182
Non-Departmental	109,805	109,805	110,571	(766)
Capital Outlay	85,500	356,500	363,942	(7,442)
Debt Service:				
Principal	488,147	488,147	488,147	-
Interest	29,316	29,316	29,352	(36)
Agent Fees	1,080	1,080	1,000	80
Total Expenditures	$ 5,965,200	$ 6,321,130	$ 6,069,407	$ 251,723
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (856,045)	$ (1,211,975)	$ (862,757)	$ 349,218
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 713,232	$ 713,232	$ 762,778	$ 49,546
Transfers Out	(45,000)	(45,000)	(19,519)	25,481
Proceeds From Sale of Capital Assets			15,494	15,494
Total Other Financing Sources (Uses)	$ 668,232	$ 668,232	$ 758,753	$ 90,521
Net Change in Fund Balances	$ (187,813)	$ (543,743)	$ (104,004)	$ 439,739
Fund Balances - Beginning	3,466,132	3,466,132	3,466,132	
Fund Balances - Ending	$ 3,278,319	$ 2,922,389	$ 3,362,128	$ 439,739

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 450,000	$ 450,000	$ 614,905	$ 164,905
Other			3,938	3,938
Total Revenues	$ 450,000	$ 450,000	$ 618,843	$ 168,843
EXPENDITURES				
Current:				
Public Safety	$ 90,730	$ 93,830	$ 85,475	$ 8,355
Grounds	12,413	12,413	10,640	1,773
Street	50,125	52,825	50,579	2,246
Culture and Recreation	72,871	72,871	61,612	11,259
Non-Departmental	175,020	224,495	217,640	6,855
Capital Outlay	25,000	83,875	57,146	26,729
Total Expenditures	$ 426,159	$ 540,309	$ 483,092	$ 57,217
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 23,841	$ (90,309)	$ 135,751	$ 226,060
OTHER FINANCING (USES)				
Transfers Out	$ (46,250)	$ (54,500)	$ (54,495)	$ 5
Net Change in Fund Balances	$ (22,409)	$ (144,809)	$ 81,256	$ 226,065
Fund Balances - Beginning	89,739	89,739	89,739	
Adjustment to Fund Balance			(28,719)	(28,719)
Fund Balances - Ending	$ 67,330	$ (55,070)	$ 142,276	$ 197,346

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
HOSPITALITY FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Hospitality Taxes	$ 625,000	$ 625,000	$ 667,065	$ 42,065
Intergovernmental			4,000	4,000
Other	125,000	125,000	139,311	14,311
Total Revenues	$ 750,000	$ 750,000	$ 810,376	$ 60,376
EXPENDITURES				
Current:				
Public Safety	$ 210,094	$ 233,344	$ 208,223	$ 25,121
Grounds	22,500	32,500	31,857	643
Culture and Recreation	28,600	28,600	11,500	17,100
Capital Outlay	100,000	223,000	218,621	4,379
Total Expenditures	$ 361,194	$ 517,444	$ 470,201	$ 47,243
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 388,806	$ 232,556	$ 340,175	$ 107,619
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 45,000	$ 45,000	$ 19,519	$ (25,481)
Transfers Out	(441,880)	(816,880)	(816,880)	
Proceeds from Sale of Capital Assets			3,889	3,889
Total Other Financing Sources (Uses)	$ (396,880)	$ (771,880)	$ (793,472)	$ (21,592)
Net Change in Fund Balances	$ (8,074)	$ (539,324)	$ (453,297)	$ 86,027
Fund Balances - Beginning	794,466	794,466	794,466	
Adjustment to Fund Balance			28,719	28,719
Fund Balances - Ending	$ 786,392	$ 255,142	$ 369,888	$ 114,746

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Local Accommodations Taxes	$ 140,000	$ 140,000	$ 150,517	$ 10,517
Other			220	220
Total Revenues	$ 140,000	$ 140,000	$ 150,737	$ 10,737
OTHER FINANCING (USES)				
Transfers Out	$ (140,000)	$ (140,000)	$ (135,926)	$ 4,074
Net Change in Fund Balances	$	$	$ 14,811	$ 14,811
Fund Balances - Beginning	31,874	31,874	31,874	
Fund Balances - Ending	$ 31,874	$ 31,874	$ 46,685	$ 14,811

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013

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, 2013, 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, 2013 as follows:

General Fund	$	355,930
Accommodations Tax Fund	$	114,150
Hospitality Fund	$	156,250

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, 2013

	Beginning Balance	Increases	Decreases	Ending Balance
ASSETS				
Cash and Cash Equivalents	$ 73,469	$ 47,692	$ 98,243	$ 22,918
LIABILITIES				
Due to Firemen's Association	$ 73,469	$ 47,692	$ 98,243	$ 22,918

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Property Taxes	$ 268,750	$ 268,750	$ 303,054	$ 34,304
Other			989	989
Total Revenues	$ 268,750	$ 268,750	$ 304,043	$ 35,293
EXPENDITURES				
Current:				
Grounds	$ 20,500	$ 22,500	$ 21,815	$ 685
Street	32,875	35,500	35,474	26
Total Expenditures	$ 53,375	$ 58,000	$ 57,289	$ 711
Net Change in Fund Balances	$ 215,375	$ 210,750	$ 246,754	$ 36,004
Fund Balances - Beginning	349,914	349,914	349,914	
Fund Balances - Ending	$ 565,289	$ 560,664	$ 596,668	$ 36,004

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - BUDGET AND ACTUAL
SANITATION FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive (Negative)
OPERATING REVENUES				
Charges for Services	$ 1,064,135	$ 1,064,135	$ 1,171,778	$ 107,643
Total Revenues	$ 1,064,135	$ 1,064,135	$ 1,171,778	$ 107,643
OPERATING EXPENSES				
Personnel Service and Related Expenses	$ 522,764	$ 522,764	$ 501,783	$ 20,981
Maintenance and Service Contracts	372,487	372,487	367,801	4,686
Materials and Supplies	15,000	15,000	13,445	1,555
Repairs and Maintenance	1,500	1,500	557	943
Depreciation	125,000	125,000	81,946	43,054
Other Operating Expenses	33,061	33,061	28,906	4,155
Total Operating Expenses	$ 1,069,812	$ 1,069,812	$ 994,438	$ 75,374
Operating Income (Loss)	$ (5,677)	$ (5,677)	$ 177,340	$ 183,017
NONOPERATING REVENUES				
Interest Earnings	$ 1,500	$ 1,500	$ 2,102	$ 602
Gain (Loss) on Disposal of Assets			3,542	3,542
Total Nonoperating Revenues	$ 1,500	$ 1,500	$ 5,644	$ 4,144
Income (Loss) Before Transfers	$ (4,177)	$ (4,177)	$ 182,984	$ 187,161
Transfers Out	(54,625)	(100,000)	(100,000)	
Change in Net Position	$ (58,802)	$ (104,177)	$ 82,984	$ 187,161
Total Net Position - Beginning	1,286,690	1,286,690	1,286,690	
Adjustment to Net Position			(24,299)	(24,299)
Total Net Position - Ending	$ 1,227,888	$ 1,182,513	$ 1,345,375	$ 162,862

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - BUDGET AND ACTUAL
PIER FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
OPERATING REVENUES				
Charges for Services	$ 280,000	$ 304,773	$ 288,298	$ (16,475)
Total Revenues	$ 280,000	$ 304,773	$ 288,298	$ (16,475)
OPERATING EXPENSES				
Personnel Service and Related Expenses	$ 3,526	$ 3,526	$ 3,230	$ 296
Maintenance and Service Contracts	0	12,000	11,527	473
Materials and Supplies	0	4,500	4,994	(494)
Repairs and Maintenance	7,500	7,500	5,669	1,831
Depreciation	66,125	83,500	83,495	5
Other Operating Expenses	9,230	10,965	11,328	(363)
Total Operating Expenses	$ 86,381	$ 121,991	$ 120,243	$ 1,748
Operating Income (Loss)	$ 193,619	$ 182,782	$ 168,055	$ (14,727)
NONOPERATING REVENUES (EXPENSES)				
Interest Earnings	$	$	$ 758	$ 758
Interest Expense	(18,335)	(25,565)	(25,564)	1
Gain (Loss) on Disposal of Assets			(11,653)	(11,653)
Total Nonoperating Revenues (Expenses)	$ (18,335)	$ (25,565)	$ (36,459)	$ (10,894)
Income (Loss) Before Transfers	$ 175,284	$ 157,217	$ 131,596	$ (25,621)
Transfers In			375,000	375,000
Transfers Out	(30,477)	(30,477)	(30,477)	
Change in Net Position	$ 144,807	$ 126,740	$ 476,119	$ 349,379
Total Net Position - Beginning	1,608,769	1,608,769	1,608,769	
Total Net Position - Ending	$ 1,753,576	$ 1,735,509	$ 2,084,888	$ 349,379

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
Year Ended June 30, 2013

COURT FINES		
Court Fines Collected	$	120,839
Court Fines Retained by Town		(120,839)
Court Fines Remitted to the State Treasurer	$	
COURT ASSESSMENTS		
Court Assessments Collected	$	144,943
Court Assessments Retained by Town		(15,934)
Court Assessments Remitted to the State Treasurer	$	129,009
COURT SURCHARGES		
Court Surcharges Collected	$	42,904
Court Surcharges Retained by Town		(7,951)
Court Surcharges Remitted to the State Treasurer	$	34,953
COURT DPS PULLOUTS		
Court DPS Pullouts Collected	$	8,835
Court DPS Pullouts Retained by Town		
Court DPS Pullouts Remitted to the State Treasurer	$	8,835
VICTIMS SERVICES		
Court Assessments Allocated to Victim Services	$	15,934
Court Surcharges Allocated to Victim Services		7,951
Total Funds Allocated to Victim Services	$	23,885
Victim Services Expenditures		(18,615)
Prior Year Carryforward		20,266
Funds Available for Carryforward	$	25,536

SURFSIDE BEACH

SOUTH CAROLINA

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	$ 12,904,376	$ 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	1,040,331	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	3,583,122	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 position	$ 17,527,829	$ 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										
Net investment in capital assets	$ 3,538,083	$ 3,200,682	$ 3,034,135	$ 3,078,498	$ 3,103,276	$ 724,808	$ 410,834	$ 352,927	$ 371,668	$ 304,001
Unrestricted	(276,368)	(438,541)	(604,759)	(855,355)	(1,263,645)	120,043	317,139	96,446	69,340	111,154
Total business-type activities net position	$ 3,261,715	$ 2,762,141	$ 2,429,376	$ 2,223,143	$ 1,839,631	$ 844,851	$ 727,973	$ 449,373	$ 441,008	$ 415,155
Primary Government										
Net investment in capital assets	$ 16,442,459	$ 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	1,040,331	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	3,306,754	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 position	$ 20,789,544	$ 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: 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 POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
General Government	$ 1,560,174	$ 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	2,996,133	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	235,281	252,842	216,665	322,102	244,152	282,304	238,278			
Grounds	351,443	291,739	278,869	485,100						
Street	1,189,910	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	312,600	380,666	399,827	476,660	558,936	483,391	479,222	398,886	418,413	424,559
Interest and Fiscal Charges	32,523	51,603	57,244	69,814	66,482	88,181	85,049	87,255	93,271	157,207
Total governmental activities expense	6,678,064	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	1,029,668	1,058,807	993,535	1,228,154	962,936	1,072,194	929,637	915,909	858,613	818,329
Pier	157,460	100,133	142,786	183,658	107,370					
Total business-type activities	1,187,128	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	$ 7,865,192	$ 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	$ 126,223	$ 112,164	$ 131,404	$ 165,942	$ 126,601	$ 153,714	$ 95,322	$ 104,791	$ 94,636	$ 91,525
Public Safety	192,608	239,369	249,878	337,573	311,218	273,900	223,656	511,478	402,749	338,202
Building and Zoning	116,410	165,269	113,222	177,453	130,110	160,393	271,658			
Culture and Recreation	23,076	50,921	69,045	60,815	52,928	53,763	59,487	54,251	62,254	68,337
Operating Grants and Contributions	296,602	593,738	159,946	207,765	212,262	69,271	83,425	52,633	70,524	33,263
Capital Grants and Contributions	296,415	355,945	243,738	303,818	197,101	298,645	94,350	75,959	413,238	409,324
Total governmental activities program revenues	1,051,334	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										
Sanitation	1,171,778	1,067,403	1,103,958	1,409,891	1,148,643	1,164,391	1,141,924	925,145	865,325	802,599
Pier	288,298	286,761	323,092	447,731	85,314					
Operating Grants and Contributions		7,858							17,405	
Capital Grants and Contributions		162,500								
Total business-type activities program revenues	1,460,076	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 primary government revenues	$ 2,511,410	$ 3,041,928	$ 2,394,283	$ 3,110,988	$ 2,264,177	$ 2,174,077	$ 1,969,822	$ 1,724,257	$ 1,926,131	$ 1,743,250

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense) revenue										
Governmental activities	$ (5,626,730)	$ (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)
Business-type activities	272,948	365,582	290,729	445,810	163,651	92,197	212,287	9,236	24,117	(15,730)
Total primary government net expense	$ (5,353,782)	$ (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)
General Revenues and Other Changes in Net Position										
Governmental activities										
Property Taxes	$ 2,436,542	$ 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 Accomodations Taxes	150,517	154,171	138,892	159,761	139,549	146,587	136,914	116,393	106,475	97,211
Business Licenses Taxes	1,535,250	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	586,016	572,541	577,845	745,808	526,406	518,911	496,568	469,622	446,194	463,956
Hospitality Taxes	667,065	673,177	654,897	804,000	669,304	721,269	674,718	615,341	588,603	560,257
Unrestricted Grants and Contributions	785,228	655,172	618,106	811,567	759,823	759,845	686,736	617,989	586,771	544,689
Investment Earnings	32,445	31,938	38,327	53,572	122,639	357,720	373,855	209,305	82,684	65,317
Gain on Disposal of Capital Assets	17,337	47,106			6,717		29,494	7,551	8,489	
Other General Revenues	11,930	10,675	2,654	9,397	4,634	4,652	63,542			
Transfers	(244,523)	45,095	96,368	62,500	(830,000)	20,000	16,648	9,618	10,000	10,000
Total governmental activities	5,977,807	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	2,860	3,749	2,845	202	541	6,929	7,286	2,567	625	956
Gain on Disposal of Capital Assets	3,542	8,529	9,027		588	37,752	75,675	11,820	11,111	
Transfers	244,523	(45,095)	(96,368)	(62,500)	830,000	(20,000)	(16,648)	(9,618)	(10,000)	(10,000)
Total business-type activities	250,925	(32,817)	(84,496)	(62,298)	831,129	24,681	66,313	4,769	1,736	(9,044)
Total primary government	$ 6,228,732	$ 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 Position										
Governmental activities	$ 351,077	$ 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	523,873	332,765	206,233	383,512	994,780	116,878	278,600	14,005	25,853	(24,774)
Total primary government	$ 874,950	$ 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) 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

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

Fiscal Year	Property Taxes	Local Accomodations Taxes	Business Licenses Taxes	Franchise Taxes	Hospitality Taxes	Total
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
2013	2,436,542	150,517	1,535,250	586,016	667,065	5,375,390

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

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Nonspendable	$ 858,418	$ 1,319,075	$ 1,404,264	$	$	$	$	$	$	$
Restricted	683,621	576,299	453,759							
Assigned	518,351	484,506	399,930							
Unassigned	1,301,738	1,086,252	1,672,042							
Reserved				1,356,711	1,546,373	91,008	93,072	75,261	33,315	35,182
Unreserved - designated				1,633,961	1,650,115	1,680,447	1,865,981	2,279,217	2,084,519	2,033,345
Unreserved - undesignated				1,572,656	1,142,666	2,751,641	2,451,112	1,901,664	1,394,656	942,261
Total General Fund	$ 3,362,128	$ 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
All Other Governmental Funds										
Nonspendable	$ 12,911	$ 12,500	$ 17,716	$	$	$	$	$	$	$
Restricted	343,799	615,810	378,058							
Assigned	818,555	652,595	477,758							
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
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
Total All Other Governmental Funds	$ 1,175,265	$ 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

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Property Taxes	$ 2,446,609	$ 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
Franchise Taxes	586,016	572,541	577,845	745,808	526,406	518,911	496,568	469,622	446,194	463,956
Hospitality Taxes	667,065	673,177	654,897	804,000	669,304	721,269	674,718	615,341	588,603	560,257
Local Accommodations Taxes	150,517	154,171	138,892	159,761	139,549	146,587	136,914	116,393	106,475	97,211
Licenses and Permits	1,653,590	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
Fines and Forfeitures	160,154	217,545	232,464	274,998	263,399	235,078	200,389	143,450	112,289	120,975
Intergovernmental	1,204,567	1,562,949	1,011,326	1,300,921	1,176,874	1,087,759	846,261	733,381	1,061,879	902,418
Other	229,198	248,147	266,273	362,411	383,701	634,161	639,085	406,158	248,914	238,482
Total Revenues	7,097,716	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
Expenditures										
General Government	994,020	1,092,283	962,978	1,355,349	1,002,468	806,707	800,304	698,260	665,268	604,629
Public Safety	2,704,284	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
Building and Zoning	235,210	249,312	214,470	318,462	239,729	273,739	231,620			
Grounds	299,839	263,423	260,442	465,993						
Street	964,627	1,274,684	724,004	861,717	969,183	967,011	647,018	582,603	464,442	451,789
Intragovernmental Maintenance	121,971	115,123	92,047	97,548	78,084	85,651	83,768	106,545	78,784	83,011
Culture and Recreation	284,250	345,104	363,725	430,820	512,760	437,305	447,773	362,944	387,278	409,503
Non-Departmental	328,211	284,125	258,792	320,706	284,405	479,198	599,589	331,733	313,716	359,923
Capital Outlay	639,709	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
Debt Service:										
Principal	488,147	473,147	375,000	370,000	345,000	562,789	320,000	310,000	300,000	346,347
Interest	29,352	43,139	35,700	45,875	54,500	79,961	69,150	73,350	88,129	75,698
Agent Fees	1,000	1,000	827	1,310	1,060	1,060	998	780	780	540
Total Expenditures	7,090,620	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
Excess (Defiency) of Revenues Over (Under) Expenditures	7,096	(114,231)	(1,057,070)	(1,338,071)	(103,389)	(295,256)	614,010	1,448,326	118,181	338,043

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Other Financing Sources (Uses)										
Transfers In	782,297	401,252	480,337	355,941	431,146	299,861	639,976	691,133	1,208,199	1,064,446
Transfers Out	(1,026,820)	(365,592)	(383,969)	(293,441)	(1,261,146)	(279,861)	(619,976)	(681,133)	(1,198,199)	(1,054,446)
Issuance of Debt			731,469							
Proceeds Sale of Capital Assets	19,383	22,081	117,517	9,202	4,258	20,817	11,909	5,487	16,929	
Total Financing Sources (Uses)	(225,140)	57,741	945,354	71,702	(825,742)	40,817	31,909	15,487	26,929	10,000
Net Change in Fund Balances	$ (218,044)	$ (56,490)	$ (111,716)	$ (1,266,369)	$ (929,131)	$ (254,439)	$ 645,919	$ 1,463,813	$ 145,110	$ 348,043
Debt Service as a Percentage of Noncapital Expenditures	8.02%	7.77%	7.26%	5.81%	6.97%	11.07%	7.78%	8.82%	9.69%	10.82%

Notes: (1) Beginning April 1, 2009, the Town changed its fiscal reporting period to June 30th. Therefore, the amounts provided in the schedule herein for 2010 include a fifteen month period.
(2) Grounds department was not separately presented prior to fiscal period 2010. Building and Zoning was not separately budgeted and presented prior to fiscal year 2007.

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Taxes	Local Accomodations Taxes	Business Licenses Taxes	Franchise Taxes	Hospitality Taxes	Total
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	1,352,422	572,541	673,177	5,183,600
2013	2,446,609	150,517	1,535,250	586,016	667,065	5,385,457

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
3/31/04	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%
6/30/13	2012		57,234,458	2,405,418	928,442	58,711,434	40.0	1,052,111,618	5.58%

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

	Town of Surfside Beach			Overlapping Rates						
				County			School District			
Tax Year	Operating Millage	Debt Service Millage	Total Town Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Total Direct & Overlapping Rates
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
2012	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, 2013

	2013			2004		
Taxpayer	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	0.72%			
Surfside Dev Partners, LLC	246,000	3	0.42%			
Bonnie Jean Hammond-Robinson	199,722	4	0.34%	219,735	5	0.63%
William M. McKown	166,809	5	0.28%			
Deerfield Myrtle Beach, LLC	156,918	6	0.27%			
River City Café Holdings, LLC	155,544	7	0.26%			
Surfside Shopping Center	155,130	8	0.26%	171,165	6	0.49%
Blue Whale, LLC	145,152	9	0.25%			
Tebele Investment Group	144,810	10	0.25%	159,195	8	0.46%
Surfside Pier Hotel, LTD				526,493	1	1.51%
Jefferson Pilot Life Insurance				372,705	2	1.07%
IMPAC Hotels, Inc.				351,293	3	1.01%
James Calhoun, III				238,951	4	0.69%
Hosp Corp of America				167,903	7	0.48%
RMP, LLC				148,238	9	0.43%
AHP Corporation				143,018	10	0.41%
	$ 2,226,483		3.79%	$ 2,498,696		7.18%

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
3/31/04	$ 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%	139,935	2,314,711	101.90%
6/30/13	2,379,213	2,312,936	97.21%		2,312,936	97.21%

(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

	Governmental Activities					
Fiscal Year Ended	General Obligation Bonds	Note Payable	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
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
6/30/13			585,175	585,175	0.37%	153

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)
3/31/04	$ 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
6/30/13	-		-	-	-

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, 2013

Governmental Unit		Debt Outstanding	Estimated Percentage Applicable (1)		Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$	347,635,000	2.90%	$	10,081,415
Debt repaid with property taxes: School District		357,575,000	2.90%		10,369,675
Subtotal, overlapping debt					20,451,090
Town of Surfside Beach Direct Debt					585,175
Total Direct and Overlapping Debt				$	21,036,265

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, 2013.

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.

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt Limit	$ 4,715,063	$ 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
Total Net Debt Applicable to Limit	-	415,000	534,733	553,460	571,938	589,169	605,649	621,630	637,112	652,095
Legal Debt Margin	$ 4,715,063	$ 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
Total net debt applicable to the limit as a percentage of debt limit	0.00%	8.72%	11.32%	12.74%	13.46%	14.89%	15.67%	16.63%	21.74%	23.26%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	$ 58,711,434
Exempt Merchants Inventory (1987 Valuation)	226,850
Total	58,938,284
Debt limit (8% of total assessed value)	4,715,063
Debt applicable to limit:	
General obligation bonds	-
Legal debt margin	$ 4,715,063

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)
3/31/04	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%
6/30/13	3,837	156,781	40,860	50.5	525	8.60%

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.

UNAUDITED

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

PRINCIPAL EMPLOYERS
Current and Nine Years Ago

	2013			2004		
Employer	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Crabby Mike's	130	1	Unavailable	Unavailable	1	Unavailable
BiLo, Inc.	87	2	Unavailable	Unavailable	2	Unavailable
Town of Surfside Beach	77	3	Unavailable	Unavailable	3	Unavailable
Piggly Wiggly	65	4	Unavailable	Unavailable	4	Unavailable
Surfside Realty Co, Inc.	64	5	Unavailable	Unavailable	5	Unavailable
Surfside Beach Resort	60	6	Unavailable	Unavailable	6	Unavailable
Lane's Pest Elimination	54	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	33	10	Unavailable	Unavailable	10	Unavailable
	657		Unavailable	Unavailable		Unavailable

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

	Full-time Equivalent Employees as of Year End									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Function										
General Government	11	10	13	13	13	11	12	11	11	12
Public Safety										
Police										
Officers	21	21	22	22	21	20	20	20	20	15
Communications/Office	6	6	6	6	6	7	7	7	5	6
Fire										
Firefighters and Officers	7	7	7	6	5	5	5	5	5	5
Building and Zoning	3	3	3	3	3	4	4	5	5	4
Grounds	4	4	4	7						
Public Works										
Streets	10	10	10	7	7	11	11	10	10	10
Facilities Maintenance	2	2								
Vehicle Maintenance	2	2	2	1	1	2	2	2	2	2
Culture and Recreation	2	2	2	2	9	5	5	6	6	6
Sanitation	9	9	9	9	8	12	12	12	12	11
Total	77	76	78	76	73	77	78	78	76	71

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 facilties 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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Function										
Police										
Physical arrests	857	911	548	676	506	528	310	750	517	527
Parking violations	2,320	1,797	3,934	3,677	2,872	2,730	2,168	2,673	Unavailable	Unavailable
Traffic violations	2,716	3,058	2,028	4,129	3,946	3,676	1,794	3,435	2,352	1,910
Fire										
Number of calls answered	781	685	633	675	756	729	514	663	609	656
Building and Zoning										
New construction permits	21	35	20	19	22	47	84	115	87	130
Culture and Recreation										
Events held	18	21	23	27	16	19	20	19	13	12
Sanitation										
Refuse collected (tons)	6,812	6,710	6,737	8,873	6,977	7,618	7,715	7,435	7,350	7,109
Recyclables collected	510	533	534	626	383	312	300	308	312	307
Pier										
Admissions	55,881	58,441	58,618	80,787	8,699					
Fishing	11,533	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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Function										
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	21	21	21	21	19	19	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	39	36	34	34
Streetlights	518	518	518	518	518	518	518	518	492	492
Traffic signals	3	3	3	3	3	3	3	3	3	3
Culture and Recreation										
Parks acreage	32	32	32	30	30	30	30	30	30	30
Parks	8	8	8	6	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	7	9	8	8	7
Pier										
Fishing Pier	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

SURFSIDE BEACH

SOUTH CAROLINA

INDEPENDENT AUDITORS' OTHER REPORT SECTION

SURFSIDE BEACH

SOUTH CAROLINA

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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies

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and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control. This deficiency is listed as item 13-B1.

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*.

Auditee's Response to Findings

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

Purpose of the Report

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

Harper, Poston & Moree, P.A.

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

Pawleys Island, South Carolina
December 4, 2013

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013

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

13-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, as well as time constraints, prevented the Town's finance department 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.

B. Findings - Financial Statement Audit (continued)

13-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 believe that the additional costs of software and training outweigh the cost of external preparation.

C. Findings - Federal Award Program Audit

Not applicable.