

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

**Prepared By: Finance Department
Diana H. King
Finance Director**



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

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Introductory Section



**Town of Surfside Beach, South Carolina
Principal Officials
June 30, 2022**

Elected Officials

Bob Hellyer **Mayor**
Cindy Keating Mayor Pro-Tempore, Council Member
Michael Drake Council Member
Paul Holder Council Member
William Kinken Council Member
Laverne Kreklau Council Member
Chris Stamey Council Member

Appointed Officials

William P. Shanahan Jr. **Town Administrator**
Diana H. King Finance Director
Sheri L. Medina Town Clerk
Kenneth Hofmann Police Chief
Robert Clemons Fire Chief
Sabrina Adair Planning, Building, and Zoning Director
John G. Adair Public Works Director

Town of Surfside Beach, SC
FY 2021-2022 Organizational Chart

Town Council

Town
Administrator

Town Clerk

Administration

Facilities

Court

Events

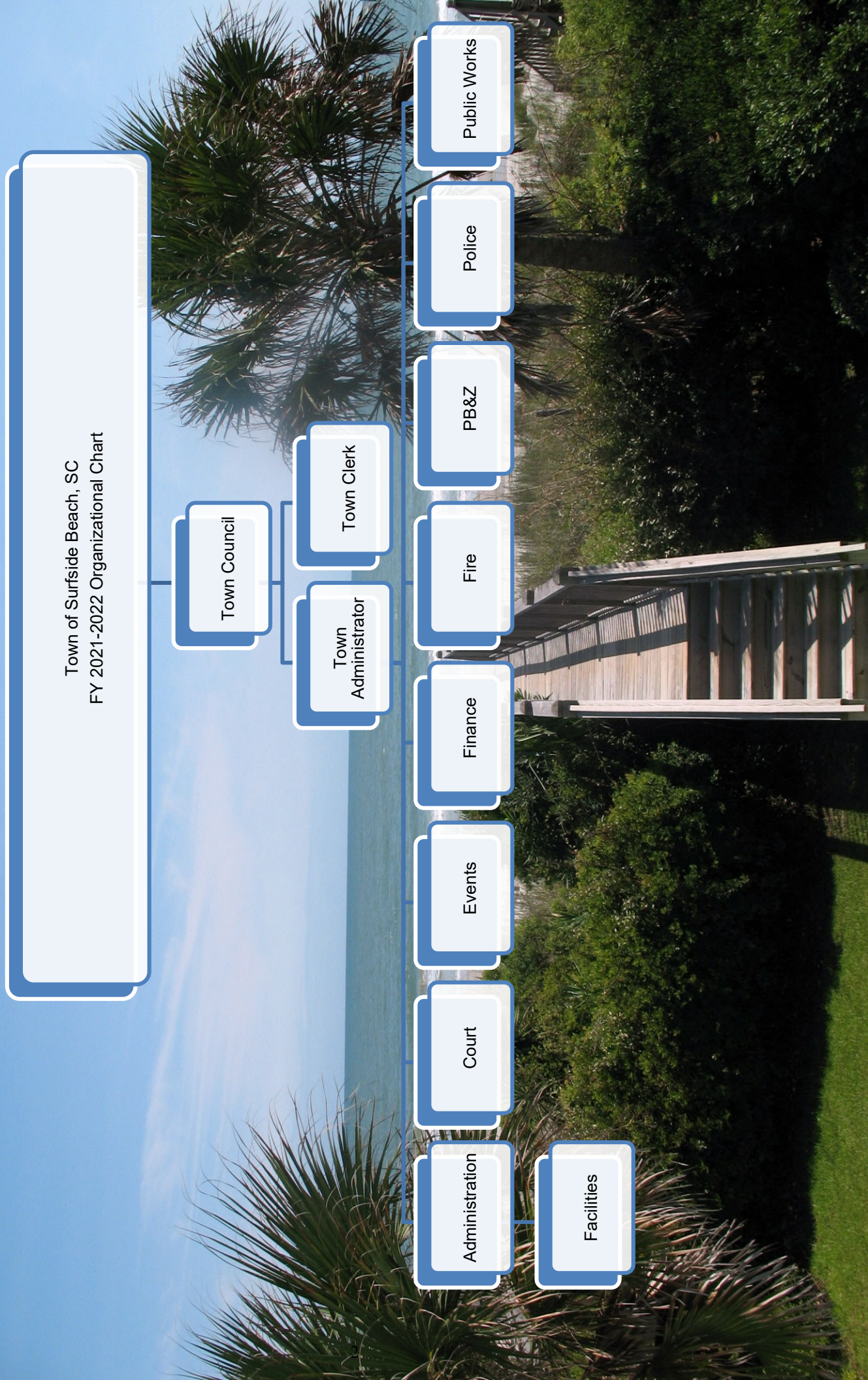
Finance

Fire

PB&Z

Police

Public Works





September 27, 2022

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

The Annual Comprehensive Financial Report of the Town of Surfside Beach for the fiscal year ended June 30, 2022 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 provided is accurate in all material respects. In addition, it 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 of all departments and funds of the Town. The Town is not financially accountable for any other separate organizations. The cost of internal controls 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.

Greene Finney Cauley, LLP, Certified Public Accountants, have issued an unmodified opinion on the Town of Surfside Beach's financial statements for the year ended June 30, 2022. The independent auditor's report is located at the front of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) require management to provide a narrative introduction, overview and analysis to the basic financial statements in the form of a 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 16.

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 Councilmembers, who are elected at large to serve staggered four-year terms of office. The Mayor is the presiding officer of Town Council.

Town Council appoints an Administrator to serve as the Chief Executive and Administrative Officer to oversee the day-to-day operations of the Town. The Administrator is responsible for implementing the policies and ordinances of Town Council. The following departments assist the Administrator: Finance, Fire, Municipal Court, Planning, Building and Codes, Police, and Public Works.

The Town of Surfside Beach provides a full range of services, including police and fire protection, sanitation service, repair and maintenance of Town roads and infrastructure, building regulation, planning, zoning, code enforcement, 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 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. Budgetary comparison schedules for general government funds are presented on pages 68 through 73 as part of Required Supplementary Information.

Local Economy

The Town Council has taken a cautious approach to spending over the past few years due to the unknown impact of Covid 19. However, our location saw a significant increase in tourism as well as new residents, which was a boost to both the economy of the Grand Strand and the Town.

The Town of Surfside Beach has grown dramatically since incorporation when there were just 880 residents. The most recent Census in 2020 reported that there are 4,300 permanent residents. It is also important to note that the Town's population swells to over 50,000 during the summer season. Significant growth and development have taken place along the Town's oceanfront in the last decade. Commercial development continues to rise in the Town's business district on Surfside Drive and along the US Highway 17 Business corridor. The Town of Surfside Beach is heavily dependent on the tourism industry as related businesses pay a vast majority of 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, amusements, 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). Vacation rentals continue to grow and strength in this section

remains high. The Town's new Entertainment District (E District) is providing new opportunity for restaurants and other businesses. The E District is growing and there are more businesses in the development stages. These new businesses will provide additional revenues from property taxes, business licenses, and hospitality taxes.

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 30 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 \$1,071,000. These taxes are used to cover the escalating costs of public safety due to the high percentage of tourists in the area.

Business license and building permit revenue also have been significant revenue sources 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 approximately 29% to General Fund revenue.

It is expected that the local economy will continue to support our local businesses, restaurants, property development and new rental properties, which will sustain business license, building permit revenues, accommodation taxes, and more.

Long-Term Financial Planning

Town Council established a formal financial policy in fiscal year 2015 to identify funds for specific purposes in the General Fund, and to set specific goals for other financial funds maintained by the Town. A Disaster Recovery reserve was established in the General Fund with initial funding of \$400,000 and an additional \$400,000 was added in 2018 and the final \$400,000 added in 2020 to achieve a balance of \$1.2 million. The Capital Replacement Reserve has been assigned 3 mils to be used to purchase vehicles and equipment. The Land, Meters, and Parking Reserve will receive net revenue from parking operations, excluding pier parking revenue. These monies shall be used to beautify parking areas, purchase and maintain parking equipment, and/or purchase land. Town Council set a goal of maintaining an unassigned General Fund Reserve at the end of each fiscal year consisting of approximately four months of General Fund expenditures. Unassigned fund balance in the General Fund stands at 33% of total General Fund expenditures as of June 30, 2022. Unassigned fund balance consists of amounts that are available for any purpose.

The Sanitation and Pier Enterprise Funds are required to have four months of anticipated expenses in unrestricted net position at fiscal year-end.

Hurricane Matthew, which occurred in October 2016, incurred the loss of over 50% of the town-owned fishing pier. Town Council decided that the substructure of the new pier will be built in concrete for hazard mitigation purposes. The Federal Emergency Management Agency (FEMA) awarded the town approximately \$10 million to restore the pier under its hazard mitigation

program. Town Council also authorized a GO Bond not to exceed \$4 million to cover the cost associated with the design, demolition, and rebuilding of the pier and other structures. The building process has started with an expected completion date between November 2022 to March 2023. In addition, the pier requested and received approval of two grants with a total of \$1.5 million.

Town Council has an ongoing commitment to construct and maintain the Town's stormwater infrastructure and to comply with the Clean Water Act without incurring additional debt. Since 2015 a 2 mil transfer per annum was allocated for this purpose, but in 2019 Town Council adopted a stormwater utility fee that is collected from all occupied properties in town, and held in a separate Stormwater Utility Fund.

In an effort to keep insurance rates low for our citizens, the Town has two certified floodplain managers on staff. Town Council authorized the escalation of the Community Rating System program to better comply with FEMA directives.

Relevant Financial Policies

The Town's investment policy is to minimize risks while maintaining a competitive yield on its funds; accordingly, the Town's excess funds earn interest in an overnight repurchase agreement with the Town's principal banking institution, South State Bank. In accordance with this strategy Town funds are evaluated and funds in excess of the FDIC amount are re-invested in increments not to exceed the FDIC limit, which is currently \$250,000. Town Council also authorized funds to be deposited in the South Carolina Local Government Investment Pool.

The Town transfers most of its risk exposure related to tort, auto liability and property damage through insurance contracts with the South Carolina Municipal Insurance Reserve Fund.

Employee benefits such as worker's compensation, medical, dental, vision, and life insurance coverage are provided through contracts with the South Carolina Municipal Insurance Trust, Nippon Life Benefits, and Blue Cross Blue Shield of South Carolina. 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, dental and vision plans are handled by Blue Cross/Blue Shield of South Carolina, and by the Town of Surfside Beach.

Major Initiatives – Year in Review Major Items

The Town moved Town Hall to a new location across Highway 17 to 210 Hwy 17 South in the fall of 2021. This move was necessary due to air quality and structural deficiencies in the old building. The Administration Department, Planning, Building and Zoning Department, Events Department, Finance Department, and a portion of the Police Department all moved to the new location. The new location is much larger and allows for more office space for all departments.

Construction continues on the Surfside Beach Fishing Pier destroyed in October 2016 by Hurricane Matthew. The new structure will be built in concrete for hazard mitigation purposes. FEMA awarded the Town approximately \$10 million, and the State of SC has a \$500,000 grant and a \$1,000,000 grant for pier reconstruction. Town Council authorized a GO Bond of \$4 million to

cover the cost associated with the design, demolition, and rebuilding of the pier and other structures. The construction bid was awarded to Consensus Construction of Myrtle Beach. Construction of the pier began on November 30, 2020 and is expected to continue through the spring of 2023.

The Fire Department reorganized this past year and welcomed a new chief, created a Deputy Chief position and upgraded the existing Fire Marshal position to full time. The department has updated organizational policies and procedures and identified needed improvements to the fire facility to include electrical/lighting upgrade, air quality upgrade and furniture upgrades. The department received support from Town Council for additional positions and has submitted a Standard for Adequate Fire and Emergency Response (SAFER) Grant. The Town has been recognized as a Fire Safe Community through the South Carolina Fire Chiefs Association.

The department continues to be active in the community participating in programs relating to children and citizens through Jason's House project for children with cancer and the Autism Awareness program sponsored by the Town. A "Fire Open House" is also held in the fall to demonstrate to children the importance of fire safety through hands-on exercises. A fire prevention program is also available to our citizens. Through this program, residents can request smoke detectors that the department will deliver and install.

The Police Department has added 33 cameras to the wireless camera system which includes coverage of beach access points as well as major intersections and parking lots around town. There are currently 54 total cameras on the system which has been instrumental in ensuring safety of our residents and visitors. The cameras have helped to reduce golf cart thefts, aiding in investigations identifying suspicious circumstances in real time and reducing liability for the town by documenting events. In addition the police have acquired a Low Speed Vehicle which allows officers to be more accessible and visible to the public.

The Planning Building and Zoning Department hired a new Director who has revitalized the Community Rating System (CRS) program which encourages community floodplain management practices. This program allows flood insurance rates to be discounted based on the efforts made by the community to address the goals of the program. Our program has resulted in discounted flood insurance rates in Surfside Beach. In an effort to save money and increase efficiency the department has hired an outside organization to perform Certified Building Official ("CBO") duties.

The Public Works Department was responsible for the completion of the Dogwood Swash Culvert Bridge using funds from the SC Rural Infrastructure Fund. The department also completed the resurfacing of 2.9 miles of streets using State Transportation Funds as well as County Road fees to cover the cost. Public works also started work on the replacement of a rest room at All Children's Park, but it was delayed due to the pandemic supply shortage. The completion of this project is expected to be in August 2022.

The Town added a Public Information Officer ("PIO") to the team. The PIO was instrumental in launching our new web site and once again providing a print version of the town quarterly newsletter. We have added communication bandwidth and new programs to aid in our goal to increase communication with our stakeholders.

Major Initiatives for the Future

Fiscal year 2022-2023 will see the completion of the Surfside Beach Fishing Pier. It is expected to open in the spring of 2023.

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 2.7 miles of roads will be surfaced in the coming year.

The Town will also continue to promote and provide for Stormwater improvements. The engineering has begun on the next phase of North End Stormwater project for possible construction to begin in the winter of 2022.

Water quality and stormwater education continues to be a focus of our compliance with the Clean Water Act and the National Pollutant Discharge Elimination System (NPDES). The Town begins its 14th^{year} participating in both the Coastal Waccamaw Stormwater Education Consortium and Coastal Carolina University's volunteer monitoring program for water quality testing.

The Building Planning and Zoning Department, in conjunction with the Planning Commission, will be revising The Town's Comprehensive Plan as required by SC Code of Laws to be completed by December 2023.

The Town is in the process of creating a Building Master Plan. The goal is to create a plan that will both show what the Town buildings will look like in ten (10) years and prioritize how the Town can implement the plan with the fiscal resources available.

Awards and Acknowledgments

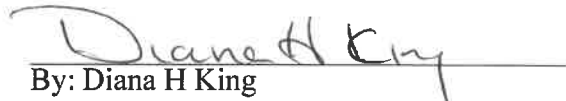
The Annual Comprehensive Financial Report was prepared following the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. The GFOA awards a Certificate of Achievement for Excellence in Financial Reporting to those governments whose annual financial 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021 which was the 33rd consecutive year the Town received the award. A Certificate of Achievement is only valid for a period of one year. 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 Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated service of the Town's auditing firm, Greene Finney Cauley, LLP, Certified Public Accountants, 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: William P Shanahan Jr.
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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Financial Section





Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside Beach, South Carolina, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about whether the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and the pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary

information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
September 27, 2022

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

As management of the Town of Surfside Beach ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022 ("2022") compared to fiscal year ended June 30, 2021 ("2021"). The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in the letter of transmittal, the financial statements and notes to the financial statements to enhance their understanding the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$43,382,000 (*net position*). Of this amount, approximately \$23,223,000 and \$20,159,000 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$1,397,000 for its governmental activities and unrestricted net position of approximately \$2,123,000 for its business-type activities.
- The government's total net position increased by approximately \$1,117,000 for governmental activities and approximately \$10,637,000 for business-type activities compared to the prior year net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$10,830,000, a decrease of approximately \$600,000 compared to the prior year's combined fund balance.
- The Town's General Fund reported total fund balance of approximately \$5,449,000. Approximately 60% of this total amount, or approximately \$2,886,000, is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance for the General Fund was approximately 33% of total General Fund expenditures for the year ended June 30, 2022.
- The Town's governmental activities capital assets of approximately \$18,411,000 as of June 30, 2022 increased by approximately \$1,482,000 (9%) during the current fiscal year due to capital additions of \$2,758,000 exceeding depreciation expense of approximately \$1,249,000 and net disposals of capital assets of approximately \$27,000. The Town's business-type activities capital assets of approximately \$14,526,000 as of June 30, 2022 increased by approximately \$7,842,000 (117%) during the current fiscal year primarily due to capital asset additions of approximately \$8,106,000 exceeding depreciation expense of approximately \$159,000 and net disposals of approximately \$105,000.
- The Town's governmental activities had no outstanding debt during the year ended June 30, 2022. The Town's business-type activities debt was \$4,000,000 as of June 30, 2022, unchanged from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts – *Introductory Section*, the *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information), the *Statistical Section*, and the *Compliance Section*.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Government-Wide Financial Statements. The financial statements include two kinds of statements that present different views of the Town. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general government, public safety, building and zoning, grounds, stormwater management, street, and culture and recreation. Taxes, business licenses, building permits, fines, recreational fees, and intergovernmental grant revenues finance most of these activities. The business-type activities are the Town's sanitation services and pier operations for which it charges its customers a fee to provide.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between *governmental activities* (reported in the statement of net position and the statement of activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Accommodations Tax Fund, Hospitality Fund, Local Accommodations Tax Fund, Stormwater Management Utility Fund, Capital Projects Fund, Police Drug Fund, and the Firefighters' 1% Fund. The governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds – The Town maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town uses two enterprise funds to account for its sanitation services and pier operations. The proprietary fund financial statements can be found as listed in the table of contents.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

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 can be found as listed in the table of contents.

Other Information. In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. A required budgetary comparison schedule has been provided for the General Fund and all of the major special revenue funds with legally adopted budgets to demonstrate compliance with the budgets. Required pension schedules have been included which provide relevant information regarding the Town's participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents.

Supplementary information, which includes combining and individual fund schedules for the Town's nonmajor governmental funds, budgetary comparison schedules for the Capital Projects Fund, the Sanitation Enterprise Fund and the Pier Enterprise Fund, and a schedule of fines, assessments, and surcharges, is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the Town's Government-Wide and Fund Financial Statements			
Government-Wide Financial Statements		Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government.	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses.
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances. 	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Revenues, Expenses, and Changes in Net Position. ▪ Statement of Cash Flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All balance sheet elements - both financial and capital, and short-term and long-term.	All balance sheet elements that come due during the year or soon, thereafter. No capital assets or long-term obligations are included.	All balance sheet elements - both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position as of June 30, 2022 compared to June 30, 2021:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and Other Assets	\$ 12,705,409	12,168,894	11,394,856	8,398,738	24,100,265	\$ 20,567,632
Capital Assets, Net	18,410,645	16,928,682	14,525,807	6,683,878	32,936,452	23,612,560
Total Assets	31,116,054	29,097,576	25,920,663	15,082,616	57,036,717	44,180,192
Deferred Outflows of Resources	1,076,267	1,278,282	120,700	147,107	1,196,967	1,425,389
Liabilities						
Long-Term Obligations	236,477	212,140	4,053,586	4,047,896	4,290,063	4,260,036
Net Pension Liability	5,582,320	6,977,072	714,014	950,568	6,296,334	7,927,640
Other Liabilities	1,701,568	556,108	972,669	679,927	2,674,237	1,236,035
Total Liabilities	7,520,365	7,745,320	5,740,269	5,678,391	13,260,634	13,423,711
Deferred Inflows of Resources	1,449,022	524,350	141,688	28,850	1,590,710	553,200
Net Position						
Net Investment in Capital Assets	18,410,645	16,928,682	13,547,873	6,515,541	31,958,518	23,444,223
Restricted	3,415,069	3,772,906	4,489,000	-	7,904,069	3,772,906
Unrestricted	1,397,220	1,404,600	2,122,533	3,006,941	3,519,753	4,411,541
Total Net Position	\$ 23,222,934	22,106,188	20,159,406	9,522,482	43,382,340	\$ 31,628,670

The Town's total assets increased approximately \$12,857,000 from the prior year to approximately \$57,037,000 at June 30, 2022. Current and other assets increased by approximately \$3,533,000 primarily as a result of an increase of approximately \$3,706,000 in cash and equivalents. Capital assets increased approximately \$9,324,000 from the prior year due to capital asset additions exceeding depreciation expense and net disposals.

The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$43,382,000 at June 30, 2022. The largest portion of the Town's net position of approximately \$31,959,000 (approximately 74%) reflects its investment in capital assets (i.e., land, buildings, furniture, equipment, infrastructure, etc.) less any related outstanding capital lease obligations used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position of approximately \$7,904,000 (approximately 18%) represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for special revenue programs which are restricted by the revenue source (i.e. hospitality fee, accommodations tax, etc.). The remaining portion of the Town's net position is an unrestricted net position of approximately \$3,520,000 (approximately 8%).

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for 2022 compared to 2021.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,442,292	1,217,703	1,545,503	1,637,019	2,987,795	\$ 2,854,722
Operating Grants and Contributions	159,195	103,772	25,141	14,032	184,336	117,804
Capital Grants and Contributions	829,000	489,640	6,807,658	2,899,154	7,636,658	3,388,794
General Revenues:						
Taxes	10,960,073	8,811,556	-	-	10,960,073	8,811,556
Other	363,903	472,882	6,706	14,728	370,609	487,610
Total Revenues	13,754,463	11,095,553	8,385,008	4,564,933	22,139,471	15,660,486
Expenses:						
General Government	1,552,824	1,262,249	-	-	1,552,824	1,262,249
Public Safety	3,991,995	3,662,938	-	-	3,991,995	3,662,938
Building and Zoning	402,412	277,792	-	-	402,412	277,792
Grounds	505,787	503,248	-	-	505,787	503,248
Street	1,910,536	1,791,320	-	-	1,910,536	1,791,320
Stormwater	132,835	59,586	-	-	132,835	59,586
Special Events	535,801	474,300	-	-	535,801	474,300
Interest	-	457	-	-	-	457
Sanitation	-	-	1,328,593	1,364,568	1,328,593	1,364,568
Pier	-	-	93,864	525,931	93,864	525,931
Total Expenses	9,032,190	8,031,890	1,422,457	1,890,499	10,454,647	9,922,389
Change in Net Position Before Transfers and Gain on Sale of Assets	4,722,273	3,063,663	6,962,551	2,674,434	11,684,824	5,738,097
Gain on Sale of Assets	11,473	39,258	57,373	20,195	68,846	59,453
Transfers In (Out)	(3,617,000)	(362,000)	3,617,000	362,000	-	-
Change in Net Position	1,116,746	2,740,921	10,636,924	3,056,629	11,753,670	5,797,550
Net Position, Beginning of Year	22,106,188	19,365,267	9,522,482	6,465,853	31,628,670	25,831,120
Net Position - End of Year	\$ 23,222,934	22,106,188	20,159,406	9,522,482	43,382,340	\$ 31,628,670

Governmental Activities: Governmental activities increased the Town's net position by approximately \$1,117,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

- Total governmental activities revenues for the year ended June 30, 2022 increased approximately \$2,658,000, or 24%, from the prior year to approximately \$13,754,000. This increase was primarily due to increases in Hospitality and Local Accommodations taxes.
- Total governmental activities expenses for the year ended June 30, 2022 increased approximately \$1,000,000, or 12%, from the prior year to approximately \$9,032,000. The increase was due primarily due to a \$329,000 increase in public safety expenditures, a \$291,000 increase in general government expenditures, and a \$125,000 increase in building and zoning expenditures.

Business-Type Activities: Net position for business-type activities (sanitation and pier) increased by approximately \$10,637,000. Please see "Proprietary Fund" discussion in the following section for details.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF 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 ending fund balance of approximately \$10,830,000, a decrease of approximately \$600,000 compared to the prior year fund balance. Please see below and discussion in the General Fund Budgetary Highlights section for more information on this decrease.

Approximately 27%, or \$2,886,000, of the total governmental fund balance of approximately \$10,830,000 constitutes unassigned fund balance. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been set aside/constrained for (1) prepaids and inventories (\$34,000; nonspendable), (2) police department K-9 dogs (\$11,000; restricted), (3) victims services (\$11,000; restricted), (4) street improvements (\$369,000; restricted), (5) stormwater (\$969,000; committed), (6) tourism related expenditures (\$2,971,000; restricted), (7) drug enforcement (\$19,000; restricted), (8) firefighters' 1% fund (\$29,000; restricted), (9) disaster recovery (\$1,200,000; committed), (10) capital replacements (\$941,000; assigned), (11) land, meters, and parking (\$107,000; assigned), and (12) beach renourishment (\$874,000; assigned).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$5,449,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund (\$2,886,000) represents approximately 33% of total General Fund expenditures for the current year.

The fund balance for the General Fund decreased by approximately \$712,000, or 12% due to expenditures of \$8,873,000 exceeding revenues and other financing sources of approximately \$8,161,000. General Fund expenditures increased by approximately \$2,253,000 compared to prior year primarily as a result of a \$1,251,000 increase in capital outlay resulting from the purchase of the new Town Hall of approximately \$1,197,000.

The fund balance of the Accommodations Tax Fund increased by approximately \$163,000, or 76% due to revenues and other financing sources of approximately \$1,082,000 exceeding expenditures and other financing uses of \$918,000. The fund balance of the Hospitality Fund increased by approximately \$466,000 due to revenues and other financing sources of approximately \$3,215,000 exceeding expenditures and other financing uses of \$2,749,000. The fund balance of the Local Accommodations Tax Fund decreased by approximately \$816,000 due to expenditures and other financing uses of \$1,482,000 exceeding revenues of approximately \$666,000. The fund balance of the Stormwater Management Utility Fund increased by approximately \$296,000 due to revenues of approximately \$977,000 exceeding expenditures of approximately \$681,000. The fund balance of the Capital Projects Fund increased by approximately \$8,000 due to revenues and other financing sources of approximately \$481,000 exceeding expenditures of approximately \$473,000. The other non-major governmental funds had a decrease of fund balance of approximately \$5,000.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Net position of the Sanitation and Pier enterprise funds at the end of the fiscal year amounted to approximately \$20,159,000.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Details on changes in the Town's proprietary funds were as follows:

- Sanitation Fund – total operating revenues increased by approximately \$32,000 due to increases in collections due to an improving economy.
- Pier Fund – total operating revenues decreased approximately \$123,000, or 100%, from the prior year due to the Pier being closed during fiscal year 2022 as a result of damages sustained during Hurricane Matthew in 2016. Operating expenses decreased approximately \$54,000, or 89%, compared to the prior year. Non-operating revenues and expenses increased by approximately \$4,283,000 due to FEMA reimbursements of approximately \$6,308,000 for costs related to the rebuilding of the pier.

General Fund Budgetary Highlights. If budget amendments are made they generally fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. The Town amended the General Fund budget during 2022 by approximately \$2,061,000 primarily to reflect planned capital outlay expenditures related to the acquisition of a new Town Hall.

The Town's actual results for the General Fund were different than the final budgeted amounts primarily due to the following:

- Total revenues were \$826,000 above budget due primarily to licenses and permits coming in approximately \$493,000 above budget due to an improving economy.
- Total expenditures were approximately \$535,000 less than budget due primary to Capital Outlay expenditures coming in approximately \$496,000 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets as of June 30, 2022 and June 30, 2021, amounted to approximately \$32,936,000 and \$23,613,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, buildings, improvements, vehicles, machinery and equipment, and infrastructure. The Town's capital assets (net of depreciation) as of June 30, 2022 and 2021 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,445,765	3,251,223	1,631,171	1,631,171	5,076,936	\$ 4,882,394
Construction In Progress	109,942	188,443	12,074,358	4,247,280	12,184,300	4,435,723
Land Improvements	3,084,157	2,640,969	-	-	3,084,157	2,640,969
Buildings and Improvements	5,360,844	4,202,198	50,557	50,557	5,411,401	4,252,755
Machinery, Equipment & Vehicles	6,219,140	6,346,441	1,947,611	1,881,485	8,166,751	8,227,926
Infrastructure	12,103,185	11,391,174	-	-	12,103,185	11,391,174
Capital Assets (Historical Cost)	30,323,033	28,020,448	15,703,697	7,810,493	46,026,730	35,830,941
Accumulated Depreciation	11,912,388	11,091,766	1,177,890	1,126,615	13,090,278	12,218,381
Total	\$ 18,410,645	16,928,682	14,525,807	6,683,878	32,936,452	\$ 23,612,560

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The total increase in the Town's capital assets for the current fiscal year was approximately \$9,324,000 (39%). Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$2,758,000 for governmental activities which consisted primarily of the following:
 - Stormwater infrastructure improvements of approximately \$634,000.
 - Buildings and Improvements of approximately \$1,197,000 related to the acquisition of the new Town Hall.
 - Purchases of various vehicles, equipment, and other improvements of approximately \$290,000.
 - Land improvements of approximately \$443,000.
- Capital asset additions of approximately \$8,107,000 for business-type activities which consisted primarily of the following:
 - Construction in progress of approximately \$7,827,000 related to the Pier restoration.
 - Purchase of vehicles machinery, equipment, and vehicles of approximately \$190,000
- Depreciation expense of approximately \$1,249,000 for governmental activities and approximately \$159,000 for business-type activities.

Additional information regarding the Town's capital assets can be found in Note III.D in the notes to the financial statements.

Debt Administration

The Town issued \$4,000,000 in General Obligation Bonds during the prior year to offset costs related to the reconstruction of the Pier. There were no required principal payments made in the year ended June 30, 2022. The Town had no other debt outstanding as of June 30, 2022.

Additional information regarding the Town's long-term obligations can be found in Note III.E in the notes to the financial statements.

ECONOMIC FACTORS AND 2023 BUDGET FOR THE TOWN

The Town's elected and appointed officials considered many factors when setting the fiscal year 2023 ("2023") budget, including 2023 tax rates and the fees charged for services. The tax millage rate remained unchanged, but fees for new residential construction were increases as of July 1. All indicators show that the tourists will return to the area in the summer which will increase our special revenue funds revenue. The Town plans on reviewing revenues and expenditures in December 2022 to determine if any changes are necessary for the remaining budget year.

The 2023 budget reflects a road paving project and a resurface of the Huckabee Complex parking area. The cost of these two projects is partially offset by grant funding from various agencies reducing the cost to the Town. In addition, the next phase of the Stormwater project is scheduled to begin in the winter of 2022 using the Stormwater Utility funds collected from all property owners.

The Town continues to offset tourism related expenditures in the General Fund with transfers from tourism related funds. The 2023 budget includes approximately \$1,117,000 transferred to the General Fund to offset public safety and public works expenditures related to providing services to tourists.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

ECONOMIC FACTORS AND 2023 BUDGET FOR THE TOWN (CONTINUED)

Regarding the Town's business-type activities the base rates for sanitation collection service for our residential and commercial customers in town will remain at the level set by Town Council in February 2013. As the cost of disposal increases, rates may need to be adjusted in future years. Construction on the new Pier is expected to be complete in the spring of 2023. FEMA has reimbursed the town \$10 million for the pier structure costs. The building costs will be offset by Hospitality and Accommodations Funds, a \$1,500,000 grant from the State of South Carolina, as well as the \$4,000,000 General Obligation Bond. Total cost of the Pier rebuilding is expected to be approximately \$20 million.

REQUESTS FOR TOWN INFORMATION

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, or contact the Town's Finance Department at 210 Highway 17 South, Surfside Beach, South Carolina 29575, (843) 913-6336 or email finance@surfsidebeach.org.



Basic Financial Statements

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2022

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 6,781,076	2,546,348	\$ 9,327,424
Cash and Cash Equivalents, Restricted	3,622,185	7,650,100	11,272,285
Internal Balances	2,785	(2,785)	-
Receivables, Net	2,265,715	1,201,193	3,466,908
Inventories	27,222	-	27,222
Prepaid Assets	6,426	-	6,426
Capital Assets:			
Non-Depreciable	3,555,707	13,705,529	17,261,236
Depreciable, Net	14,854,938	820,278	15,675,216
TOTAL ASSETS	31,116,054	25,920,663	57,036,717
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	1,076,267	120,700	1,196,967
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,076,267	120,700	1,196,967
LIABILITIES			
Accounts Payable	509,528	972,669	1,482,197
Accrued Salaries and Benefits	86,525	-	86,525
Unearned Revenues, Payable from Restricted Assets	1,105,515	-	1,105,515
Non-Current Liabilities:			
Net Pension Liability - Due in More Than One Year	5,582,320	714,014	6,296,334
Long-term Obligations - Due Within One Year	124,453	268,654	393,107
Long-term Obligations - Due in More Than One Year	112,024	3,784,932	3,896,956
TOTAL LIABILITIES	7,520,365	5,740,269	13,260,634
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	1,449,022	141,688	1,590,710
TOTAL DEFERRED INFLOWS OF RESOURCES	1,449,022	141,688	1,590,710
NET POSITION			
Net Investment in Capital Assets	18,410,645	13,547,873	31,958,518
Restricted For:			
Public Safety and Drug Enforcement	70,141	-	70,141
Street Improvements	369,297	-	369,297
Tourism Related Expenses	2,975,631	4,489,000	7,464,631
Unrestricted	1,397,220	2,122,533	3,519,753
TOTAL NET POSITION	\$ 23,222,934	20,159,406	\$ 43,382,340

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,552,824	505,806	131,583	-	(915,435)	-	\$ (915,435)
Public Safety	3,991,995	164,361	6,033	-	(3,821,601)	-	(3,821,601)
Building and Zoning	402,412	274,694	-	-	(127,718)	-	(127,718)
Grounds	505,787	-	-	-	(505,787)	-	(505,787)
Street	1,910,536	-	9,872	325,000	(1,575,664)	-	(1,575,664)
Stormwater	132,835	472,757	-	504,000	843,922	-	843,922
Special Events	535,801	24,674	11,707	-	(499,420)	-	(499,420)
Total Governmental Activities	9,032,190	1,442,292	159,195	829,000	(6,601,703)	-	(6,601,703)
Business-Type Activities:							
Sanitation	1,328,593	1,545,503	25,141	-	-	242,051	242,051
Pier	93,864	-	-	6,807,658	-	6,713,794	6,713,794
Total Business-Type Activities	1,422,457	1,545,503	25,141	6,807,658	-	6,955,845	6,955,845
TOTAL - PRIMARY GOVERNMENT	\$ 10,454,647	2,987,795	184,336	7,636,658	(6,601,703)	6,955,845	354,142
General Revenues and Transfers:							
General Revenues							
Taxes:							
Property Taxes					3,461,511	-	3,461,511
Local Accommodations Taxes					664,680	-	664,680
State Accommodations Taxes					1,067,889	-	1,067,889
Hospitality Taxes					3,183,855	-	3,183,855
Business Licenses					1,894,650	-	1,894,650
Franchise Fees					687,488	-	687,488
Intergovernmental Revenue Not Restricted to Specific Programs					214,156	-	214,156
Investment Income					15,096	6,706	21,802
Gain on Sale of Capital Assets					11,473	57,373	68,846
Miscellaneous					134,651	-	134,651
Transfers In (Out)					(3,617,000)	3,617,000	-
Total General Revenues and Transfers					7,718,449	3,681,079	11,399,528
CHANGE IN NET POSITION					1,116,746	10,636,924	11,753,670
NET POSITION, BEGINNING OF YEAR					22,106,188	9,522,482	31,628,670
NET POSITION, END OF YEAR					\$ 23,222,934	20,159,406	\$ 43,382,340

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

	GENERAL	ACCOMMODATIONS TAX FUND	HOSPITALITY FUND
ASSETS			
Cash and Cash Equivalents	\$ 4,905,489	-	-
Cash and Cash Equivalents, Restricted	501,037	144,281	1,069,647
Receivables, Net	616,570	404,846	592,798
Due From Other Funds	43,589	-	-
Inventories	27,222	-	-
Prepaid Assets	2,237	4,189	-
TOTAL ASSETS	6,096,144	553,316	1,662,445
LIABILITIES			
Accounts Payable	328,817	156,203	24,310
Accrued Salaries and Benefits	86,525	-	-
Due To Other Funds	-	20,242	-
Unearned Revenues Payable from Restricted Assets:			
Bail Bonds	69,358	-	-
Other	887	-	-
TOTAL LIABILITIES	485,587	176,445	24,310
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	161,842	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	161,842	-	-
FUND BALANCES			
Nonspendable:			
Prepaid Assets and Inventories	29,459	4,189	-
Restricted For:			
Police Department K-9 Dogs	10,772	-	-
Victim's Advocate	11,020	-	-
Street Improvements	-	-	-
Tourism Related Expenditures	-	372,682	1,638,135
Drug Enforcement Program	-	-	-
Firefighters' 1% Fund	-	-	-
Committed For:			
Disaster Recovery	1,200,000	-	-
Stormwater	-	-	-
Assigned For:			
Capital Replacements	795,702	-	-
Land, Meters, and Parking Purposes	106,583	-	-
Beach Renourishment	-	-	-
Appropriated Use of Fund Balance	409,000	-	-
Unassigned	2,886,179	-	-
TOTAL FUND BALANCES	5,448,715	376,871	1,638,135
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,096,144	553,316	1,662,445

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LOCAL ACCOMMODATIONS TAX FUND	STORMWATER MANAGEMENT UTILITY FUND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	489,712	1,385,875	-	\$ 6,781,076
820,808	-	1,038,063	48,349	3,622,185
139,817	511,684	-	-	2,265,715
-	-	-	-	43,589
-	-	-	-	27,222
-	-	-	-	6,426
960,625	1,001,396	2,423,938	48,349	12,746,213
-	198	-	-	509,528
-	-	-	-	86,525
-	20,562	-	-	40,804
-	-	-	-	69,358
-	-	1,035,270	-	1,036,157
-	20,760	1,035,270	-	1,742,372
-	11,685	-	-	173,527
-	11,685	-	-	173,527
-	-	-	-	33,648
-	-	-	-	10,772
-	-	-	-	11,020
-	-	369,297	-	369,297
960,625	-	-	-	2,971,442
-	-	-	19,243	19,243
-	-	-	29,106	29,106
-	-	-	-	1,200,000
-	968,951	-	-	968,951
-	-	145,557	-	941,259
-	-	-	-	106,583
-	-	873,814	-	873,814
-	-	-	-	409,000
-	-	-	-	2,886,179
960,625	968,951	1,388,668	48,349	10,830,314
960,625	1,001,396	2,423,938	48,349	\$ 12,746,213



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION**

JUNE 30, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 10,830,314
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Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets was \$30,323,033 and the accumulated depreciation was \$11,912,388.	18,410,645
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Property taxes and stormwater fees receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the governmental funds.	173,527
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The Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(5,955,075)
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Long-term liabilities, including capital leases, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following: Compensated Absence Obligations	<u>(236,477)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 23,222,934</u>
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The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2022

	GENERAL FUND	ACCOMMODATIONS TAX FUND	HOSPITALITY FUND
REVENUES			
Property Taxes	\$ 3,470,716	-	-
Hospitality Taxes	-	-	3,183,855
Local Accommodations Taxes	-	-	-
Licenses and Permits	2,169,344	-	-
Franchise Fees	687,488	-	-
Fines and Forfeitures	159,676	-	-
Parking Meters	470,266	-	-
Stormwater Fees	-	-	-
Intergovernmental	370,439	1,067,889	-
Other	113,166	4,146	23,602
TOTAL REVENUES	7,441,095	1,072,035	3,207,457
EXPENDITURES			
Current:			
General Government	1,490,927	-	-
Public Safety	3,486,556	18,646	-
Building and Zoning	411,030	-	-
Grounds	469,916	-	8,500
Street	1,072,543	-	8,146
Stormwater	-	-	-
Intergovernmental Maintenance	188,011	-	-
Special Events	204,956	19,258	7,847
Nondepartmental	134,834	302,867	15,419
Capital Outlay	1,413,854	96,850	203,800
TOTAL EXPENDITURES	8,872,627	437,621	243,712
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,431,532)	634,414	2,963,745
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	21,752	9,674	7,099
Transfers In	697,794	-	-
Transfers Out	-	(480,794)	(2,505,000)
TOTAL OTHER FINANCING SOURCES (USES)	719,546	(471,120)	(2,497,901)
NET CHANGES IN FUND BALANCES	(711,986)	163,294	465,844
FUND BALANCES, BEGINNING OF YEAR	6,160,701	213,577	1,172,291
FUND BALANCES, END OF YEAR	\$ 5,448,715	376,871	1,638,135

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LOCAL ACCOMMODATIONS TAX FUND	STORMWATER MANAGEMENT UTILITY FUND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	\$ 3,470,716
-	-	-	-	3,183,855
664,680	-	-	-	664,680
-	-	-	-	2,169,344
-	-	-	-	687,488
-	-	-	-	159,676
-	-	-	-	470,266
-	472,757	-	-	472,757
-	504,000	325,000	69,336	2,336,664
850	420	6,038	-	148,222
665,530	977,177	331,038	69,336	13,763,668
-	-	-	-	1,490,927
-	-	-	74,157	3,579,359
-	-	-	-	411,030
-	-	-	-	478,416
-	-	-	-	1,080,689
-	81,432	-	-	81,432
-	-	-	-	188,011
-	-	-	-	232,061
2,881	-	-	-	456,001
-	599,488	473,015	-	2,787,007
2,881	680,920	473,015	74,157	10,784,933
662,649	296,257	(141,977)	(4,821)	2,978,735
-	-	-	-	38,525
-	-	150,000	-	847,794
(1,479,000)	-	-	-	(4,464,794)
(1,479,000)	-	150,000	-	(3,578,475)
(816,351)	296,257	8,023	(4,821)	(599,740)
1,776,976	672,694	1,380,645	53,170	11,430,054
960,625	968,951	1,388,668	48,349	\$ 10,830,314



TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2022

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	(599,740)
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Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Property tax and stormwater fees revenues that do not provide current financial resources are not reported as revenues in the governmental funds. They are considered revenues in the Statement of Activities.	(9,205)
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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.	(24,337)
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Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year related to its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities.	268,065
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In the Statement of Activities the gain or loss on the sale of capital assets is reported whereas in the governmental funds, proceeds from the sale of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(27,052)
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital additions of \$2,758,199 exceeded depreciation expense of \$1,249,184 in the current period.	<u>1,509,015</u>
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TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,116,746</u>
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The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS

JUNE 30, 2022

	SANITATION ENTERPRISE FUND	PIER ENTERPRISE FUND	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,460,018	86,330	\$ 2,546,348
Cash and Cash Equivalents, Restricted	-	7,650,100	7,650,100
Accounts Receivable, Net	280,760	-	280,760
Intergovernmental Receivables	665	919,768	920,433
Total Current Assets	2,741,443	8,656,198	11,397,641
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	-	13,705,529	13,705,529
Depreciable, Net	820,278	-	820,278
Total Non-Current Assets	820,278	13,705,529	14,525,807
TOTAL ASSETS	3,561,721	22,361,727	25,923,448
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	120,700	-	120,700
TOTAL DEFERRED OUTFLOWS OF RESOURCES	120,700	-	120,700
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	36,099	936,570	972,669
Due To Other Funds	2,785	-	2,785
Current Portion of Compensated Absences	21,654	-	21,654
Current Portion of General Obligation Bond Payable	-	247,000	247,000
Total Current Liabilities	60,538	1,183,570	1,244,108
Non-Current Liabilities:			
Compensated Absences, Less Current Portion	31,932	-	31,932
General Obligation Bond Payable, Less Current Portion	-	3,753,000	3,753,000
Net Pension Liability	714,014	-	714,014
Total Long-Term Liabilities	745,946	3,753,000	4,498,946
TOTAL LIABILITIES	806,484	4,936,570	5,743,054
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	141,688	-	141,688
TOTAL DEFERRED INFLOWS OF RESOURCES	141,688	-	141,688
NET POSITION			
Net Investment in Capital Assets	820,278	12,727,595	13,547,873
Restricted For:			
Tourism Related Expenses	-	4,489,000	4,489,000
Unrestricted	1,913,971	208,562	2,122,533
TOTAL NET POSITION	\$ 2,734,249	17,425,157	\$ 20,159,406

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2022

	SANITATION ENTERPRISE FUND	PIER ENTERPRISE FUND	TOTAL
OPERATING REVENUES			
Charges for Services	\$ 1,545,503	-	\$ 1,545,503
TOTAL OPERATING REVENUES	1,545,503	-	1,545,503
OPERATING EXPENSES			
General Government	-	4,864	4,864
Personnel Services and Related Expenses	527,178	-	527,178
Maintenance and Service Contracts	531,828	-	531,828
Materials and Supplies	33,641	-	33,641
Depreciation	159,401	-	159,401
Non Departmental	-	1,800	1,800
Other Operating Expenses	43,898	-	43,898
TOTAL OPERATING EXPENSES	1,328,593	6,664	1,335,257
OPERATING INCOME (LOSS)	216,910	(6,664)	210,246
NONOPERATING REVENUES (EXPENSES)			
Interest Earnings	2,552	4,154	6,706
Interest Expense	-	(87,200)	(87,200)
Gain (Loss) on Sale of Capital Assets	57,373	-	57,373
TOTAL NONOPERATING REVENUES (EXPENSES)	59,925	(83,046)	(23,121)
INCOME (LOSS) BEFORE CAPITAL GRANTS AND TRANSFERS	276,835	(89,710)	187,125
Capital Grants	25,141	6,807,658	6,832,799
Transfers In	-	3,719,000	3,719,000
Transfers Out	(102,000)	-	(102,000)
CHANGE IN NET POSITION	199,976	10,436,948	10,636,924
NET POSITION, BEGINNING OF YEAR	2,534,273	6,988,209	9,522,482
NET POSITION, END OF YEAR	\$ 2,734,249	17,425,157	\$ 20,159,406

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2022

	SANITATION ENTERPRISE FUND	PIER ENTERPRISE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,538,815	-	\$ 1,538,815
Payments to Suppliers for Goods and Services	(645,511)	(3,335)	(648,846)
Payments for Personal Services	(618,797)	-	(618,797)
NET CASH PROVIDED BY OPERATING ACTIVITIES	274,507	(3,335)	271,172
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(189,505)	(7,535,483)	(7,724,988)
Proceeds on Sale of Capital Assets	72,626	-	72,626
Intergovernmental Grants	24,476	7,307,172	7,331,648
Transfers to/from Other Funds	(102,000)	3,719,000	3,617,000
Interest Payments on Long-Term Obligations	-	(87,200)	(87,200)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(194,403)	3,403,489	3,209,086
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earnings	2,552	4,154	6,706
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,552	4,154	6,706
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,656	3,404,308	3,486,964
CASH AND CASH EQUIVALENTS, Beginning of Year	2,377,362	4,332,122	6,709,484
CASH AND CASH EQUIVALENTS, End of Year	\$ 2,460,018	7,736,430	\$ 10,196,448
Reconciliation of Operating Income to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ 216,910	(6,664)	\$ 210,246
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:			
Depreciation Expense	159,401	-	159,401
Change in Accounts Representing Operating Activities:			
Accounts Receivable	(6,688)	-	(6,688)
Interfund Balances	(1,315)	-	(1,315)
Accounts Payable and Accrued Liabilities	3,508	3,329	6,837
Net Pension Liability	(236,554)	-	(236,554)
Deferred Pension Charges	26,407	-	26,407
Deferred Pension Credits	112,838	-	112,838
Net Cash Provided by (Used in) Operating Activities	\$ 274,507	(3,335)	\$ 271,172
Non-Cash Capital and Related Financing Activities:			
Capital acquisitions included in Accounts Payable, Current Year	\$ -	909,034	\$ 909,034
Capital acquisitions included in Accounts Payable, Prior Year	\$ -	(617,439)	\$ (617,439)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

The Town of Surfside Beach ("Town") was incorporated in 1964 as a municipal corporation and as such possesses all the general powers granted by the Constitution and laws of the State of South Carolina to municipal corporations. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The Town operates under the Council-Administrator form of government. The Council is composed of six Council 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

As required by GAAP, the financial statements must present the Town's financial information with any of its component units (if significant). The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town does not have any significant component units.

Major Operations

The Town's major operations include: general government, public safety (police and fire), building and zoning, grounds, street, stormwater, culture and recreation, sanitation, and pier.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) 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*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the financial statements of the Proprietary Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers its revenues to be available if they are generally 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 payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the Town.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental Fund Types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related balance sheet items (except for those accounted for in the Proprietary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

The Town's governmental fund types and major and non-major funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town has the following special revenue funds:

- The **Accommodations Tax Fund, a major fund** and a budgeted fund, is used to account for state funds related to accommodations tax revenue and for disbursements for tourism related activities.
- The **Hospitality Fund, a major fund** and a budgeted fund, is used to account for Town and the County's hospitality tax applied to accommodations and food and beverage sales and for disbursements for 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, a major fund** and a budgeted fund, is used to account for the Town and the County's accommodations tax applied to rentals of transient accommodations and for disbursements for tourism activities.
- The **Stormwater Management Utility Fund, a major fund** and a budgeted fund, is used to account for the Town's annual stormwater management utility fee and disbursements to fund stormwater projects.
- The **Firefighters' 1% Fund, a non-major fund** and an unbudgeted fund, is used to account for the Firefighters' 1% Fund. These funds are to be spent only for the betterment of the firefighters.
- The **Police Drug Fund, a non-major fund** and an unbudgeted fund, is used to account for the Town's funds received directly from the enforcement of laws associated with illegal drug activity. Funds are used for the enforcement of drug laws and certain law enforcement programs.

The **Capital Projects Fund, a major fund** and a budgeted fund, is used to account for the acquisition or construction of major capital facilities.

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Town does not have any internal service funds and has two enterprise funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Town's proprietary fund types and major funds are as follows:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has the following Enterprise Funds:

- The *Sanitation Fund, a major fund*, is used to account for assets and activities of the Town's sanitation collection operations. All costs are financed through charges to utility customers.
- The *Pier Fund, a major fund*, is used to account for assets and activities of the Town's pier. All costs are financed through admission charges to the pier from the general public and rentals from businesses that operate on the pier.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

The Town's operating cash and investment policy is designed to operate within existing statutes (which are identical for all fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash and investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. The Town currently or in the past year has used the following investments:

- South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* and GASB Statement No. 72, *"Fair Value Measurement and Application"*, investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

2. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

2. *Receivables and Payables (Continued)*

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including business licenses, hospitality taxes, sanitation, pier admission charges, and other fees and charges.

3. *Inventories and Prepaid Items*

Inventories of materials, supplies and fuel are stated at cost, generally on a first-in/first-out basis. The costs of inventories and prepaid items are accounted for using the consumption method (expensed when consumed).

4. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the respective fund financial statements.

The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at acquisition value (as estimated by the Town) at the date of donation.

Public domain (“infrastructure”) general capital assets, consist of the road network (roads, bridges, curbs and gutters, streets, and sidewalks) assets that were acquired or that received substantial improvements. These assets are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

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

Land Improvements	20 - 30 years
Buildings and Improvements	10 - 40 years
Infrastructure	20 - 30 years
Machinery, Equipment, and Vehicles	5 - 20 years

5. *Compensated Absences*

It is the Town’s policy to permit employees to accumulate paid vacation that may be used for vacation or personal time off. Upon separation from the Town, an employee is entitled to reimbursement of accumulated vacation time up to a maximum of 360 hours. Employees may also accrue up to 720 hours of sick time that may be used only for personal illness, the illness of a spouse or child, or for health-related appointments. Sick time is not paid out upon separation from employment.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

5. *Compensated Absences (Continued)*

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, “*Accounting for Compensated Absences*”. Accumulated vacation time is accrued based on each employee’s current pay rate. The entire compensated absence liability and expense is reported in the government-wide financial statements. The portion applicable to the Town’s enterprise activities is also recorded in the Proprietary Funds financial statements. Governmental funds will only recognize compensated absences liabilities if they have matured, for example, as a result of employee resignations or retirements.

6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expended when incurred.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt or lease purchase issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term liabilities that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

7. *Deferred Outflows and Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of deferred outflows of resources. The Town reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System (“SCRS”) and the South Carolina Police Officers Retirement System (“PORS”). These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenue – property taxes and stormwater fees* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The Town also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the SCRS and PORS. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. *Fund Balance*

In accordance with GAAP, the Town classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action (ordinance) made by the highest level of decision making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made by an approved motion by Town Council before the report issuance date.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town's Council has formally adopted a fund balance policy whereby the unassigned fund balance for the General Fund should be no less than four months of General Fund expenditures.

9. *Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

10. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

11. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

12. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

13. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

13. Fair Value (Continued)

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

14. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town has elected to present its budgetary comparison information for the General Fund and each major special revenue fund as separate schedules and not as basic financial statements. See the notes to the budgetary comparison schedules (following the notes to the financial statements) for details regarding the Town's budgetary information and process.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Certain deposits of the Town are legally restricted for specified purposes. The major type of restrictions at June 30, 2022 were those imposed by the revenue source (i.e. hospitality fees, accommodation taxes, grants, debt proceeds, etc.).

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Deposits (Continued)

Custodial Credit Risk for Deposits: Custodial credit risk for deposits 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 formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2022, none of the Town’s bank balances of approximately \$17,467,000 (with a carrying value of approximately \$17,151,000) were exposed to custodial credit risk.

Investments

As of June 30, 2022, the Town had the following investments:

Investment Type	Fair Value Level (1)	Fair Value	Weighted Average Maturity
State Local Government Investment Pool	N/A	\$ 3,448,753	Less than 1 year
Total Investments		<u>\$ 3,448,753</u>	

(1) See Note I.C for details on the Town's fair value hierarchy

Interest Rate Risk: Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. The Town has no policy regarding interest rate risk for investments.

Credit Risk for Investments Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Custodial Credit Risk for Investments: Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of investments, or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: Concentration of credit risk is the risk of loss attributable to the magnitude of the District's investment in a single issuer. This risk is mitigated by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Town has no policy regarding concentration of credit risk for investments. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds and external investment pools are excluded from this disclosure requirement.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

A reconciliation of cash and cash equivalents as shown in the footnotes as compared to supporting documentation in the financial statements for all activities is as follows:

Statement of Net Position	Amount
Cash and Cash Equivalents	\$ 9,736,424
Cash and Cash Equivalents, Restricted	10,863,285
Total per the Financial Statements	\$ 20,599,709
Notes	Amount
Carrying Value of Deposits	\$ 17,150,956
Carrying Value of Investments	3,448,753
Total per the Notes to the Financial Statements	\$ 20,599,709

B. Receivables and Unavailable and Unearned Revenues

Property Taxes

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes for the past ten years, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable at year end are recorded as unavailable tax revenue and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Horry County. The County levies its real property taxes each September based upon current assessed valuation. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in September on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on January 16th at 3%, on February 2nd for an additional 7%, and on March 17th for an additional 5%.

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction on the first Monday of October, November or December of each year. Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

The Town's fiscal year 2022 real and personal property taxes (which were for tax year 2021) were levied in October 2021 based on a millage rate of 43.0 mills. The Town's assessed value of real and personal property (including vehicles) was approximately \$76.5 million for tax year 2021.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable and Unearned Revenues (Continued)

Receivables

The Town's receivable balances as of June 30, 2022 consisted of the following:

Description	General Fund	Accom Tax Fund	Hospitality Fund	Local Accom Tax Fund	Stormwater Management Utility Fund	Sanitation Fund	Pier Fund	Totals
Property Taxes	\$ 251,947	-	-	-	-	-	-	\$ 251,947
Accommodations Taxes	-	-	-	139,817	-	-	-	139,817
Hospitality Taxes	-	-	592,798	-	-	-	-	592,798
Business Licenses	363,192	-	-	-	-	-	-	363,192
Stormwater	-	-	-	-	511,684	-	-	511,684
Intergovernmental	78,929	404,846	-	-	-	665	919,768	1,404,208
Accounts	300	-	-	-	-	284,260	-	284,560
Less: Allowance	(77,798)	-	-	-	-	(3,500)	-	(81,298)
Net Receivables	<u>\$ 616,570</u>	<u>404,846</u>	<u>592,798</u>	<u>139,817</u>	<u>511,684</u>	<u>281,425</u>	<u>919,768</u>	<u>\$ 3,466,908</u>

Unavailable and Unearned Revenues

Governmental funds report as a component of deferred inflows of resources revenues that are not considered to be available to liquidate liabilities (unavailable revenue) of the current period. As of June 30, 2022, the General Fund had approximately \$162,000 in revenue related to property taxes that was not available. As of June 30, 2022, the Stormwater Management Utility Fund had approximately \$12,000 in revenue that was not available. Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue). The Capital Projects Fund reported unearned revenue of approximately \$1,035,000 representing grant funding that was received during the current year but not yet earned as of June 30, 2022.

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Outstanding balances between funds generally result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund balances at June 30, 2022, consisted of the following individual fund receivables and payables. All balances are expected to be repaid within one year.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Receivables and Payables (Continued)

Fund	Receivables	Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 43,589	\$ -
Accommodations Tax Fund	-	20,242
Stormwater Management Utility Fund	-	20,562
<u>Enterprise Funds</u>		
Sanitation Fund	-	2,785
	<u>\$ 43,589</u>	<u>\$ 43,589</u>

The amount payable to the General Fund from the Accommodations Tax Fund represents the fourth quarter transfer of accommodations tax proceeds in accordance with State law. The Stormwater Management and Sanitation payables to the General Fund represents expenditures that were paid out of the General Fund on behalf of the other funds. These amounts were reimbursed to the General Fund subsequent to year-end.

Interfund Transfers

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town uses transfers to move restricted receipts for allowable purposes and unrestricted receipts so that they may be used for various programs in other funds. During the year ended June 30, 2022, the Town transferred funds from the Accommodations Tax Fund, Hospitality Tax Fund, and Local Accommodations Tax Fund to the Pier Fund for pier restoration projects. The Town transferred funds to the General Fund from the Accommodations Tax Fund, Hospitality Tax Fund, Local Accommodations Tax Fund, and Sanitation Fund in accordance with approved budgets to support various programs and services of the Town. The Town transferred funds from the Accommodations Tax Fund and Hospitality Tax Fund to the Capital Projects Fund for future beach renourishment.

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 697,794	\$ -
Accommodations Tax Fund	-	480,794
Hospitality Fund	-	2,505,000
Local Accommodations Tax Fund	-	1,479,000
Capital Projects Fund	150,000	
Sanitation Fund	-	102,000
Pier Fund	3,719,000	-
	<u>\$ 4,566,794</u>	<u>\$ 4,566,794</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 3,251,223	194,542	-	-	\$ 3,445,765
Construction In Progress	188,443	633,510	-	(712,011)	109,942
Total Capital Assets, Non-Depreciable	<u>3,439,666</u>	<u>828,052</u>	<u>-</u>	<u>(712,011)</u>	<u>3,555,707</u>
Capital Assets, Depreciable:					
Land Improvements	2,640,969	443,188	-	-	3,084,157
Buildings and Improvements	4,202,198	1,196,626	37,980	-	5,360,844
Machinery, Equipment & Vehicles	6,346,441	290,333	417,634	-	6,219,140
Infrastructure	11,391,174	-	-	712,011	12,103,185
Total Capital Assets, Depreciable	<u>24,580,782</u>	<u>1,930,147</u>	<u>455,614</u>	<u>712,011</u>	<u>26,767,326</u>
Less: Accumulated Depreciation for:					
Land Improvements	1,033,542	122,573	-	-	1,156,115
Buildings and Improvements	1,657,508	136,320	24,561	-	1,769,267
Machinery, Equipment & Vehicles	4,122,858	468,182	404,001	-	4,187,039
Infrastructure	4,277,858	522,109	-	-	4,799,967
Total Accumulated Depreciation	<u>11,091,766</u>	<u>1,249,184</u>	<u>428,562</u>	<u>-</u>	<u>11,912,388</u>
Total Capital Assets, Depreciable, Net	<u>13,489,016</u>	<u>680,963</u>	<u>27,052</u>	<u>712,011</u>	<u>14,854,938</u>
Capital Assets, Net	<u>\$ 16,928,682</u>	<u>1,509,015</u>	<u>27,052</u>	<u>-</u>	<u>\$ 18,410,645</u>

Depreciation expense for governmental activities was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
General Government	\$ 37,188
Public Safety	375,200
Building and Zoning	466
Grounds	75,417
Special Events	5,331
Street	710,149
Stormwater	36,059
Nondepartmental	9,374
Total - Governmental Activities	<u>\$ 1,249,184</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset activity for the Town's business-type activities for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Non-Depreciable:					
Land	\$ 1,631,171	-	-	-	\$ 1,631,171
Construction In Progress	4,247,280	7,827,078	-	-	12,074,358
Total Capital Assets, Non-Depreciable	<u>5,878,451</u>	<u>7,827,078</u>	<u>-</u>	<u>-</u>	<u>13,705,529</u>
Capital Assets, Depreciable:					
Buildings and Improvements	50,557	-	-	-	50,557
Machinery, Equipment and Vehicles	1,881,485	189,505	123,379	-	1,947,611
Total Capital Assets, Depreciable	<u>1,932,042</u>	<u>189,505</u>	<u>123,379</u>	<u>-</u>	<u>1,998,168</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	36,405	1,214	-	-	37,619
Machinery, Equipment and Vehicles	1,090,210	158,187	108,126	-	1,140,271
Total Accumulated Depreciation	<u>1,126,615</u>	<u>159,401</u>	<u>108,126</u>	<u>-</u>	<u>1,177,890</u>
Total Capital Assets, Depreciable, Net	<u>805,427</u>	<u>30,104</u>	<u>15,253</u>	<u>-</u>	<u>820,278</u>
Capital Assets, Net	<u>\$ 6,683,878</u>	<u>7,857,182</u>	<u>15,253</u>	<u>-</u>	<u>\$ 14,525,807</u>

Depreciation expense for business-type activities was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Sanitation	\$ 159,401

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations

In January 2021, the Town issued \$4,000,000 in General Obligation Bonds. Proceeds of the bonds will be used to fund the construction of a new municipal pier. Principal is payable annually starting in October 2022 and interest is payable semi-annually at a rate of 2.180%. Debt service requirements range from \$87,200 to \$331,999 per year through October 2035. Terms allow an optional redemption on or after October 1, 2028 in whole or in part in multiples of \$5,000 with 45 day notice, at par plus accrued interest to the date fixed for redemption.

The debt service requirements to maturity for the Town's business-type activities are presented below.

Year Ended June 30,	Business-Type Activities		Total
	Principal	Interest	
2023	\$ 247,000	84,508	\$ 331,508
2024	252,000	79,069	331,069
2025	258,000	73,510	331,510
2026	264,000	67,820	331,820
2027	270,000	61,999	331,999
2028 - 2032	1,439,000	218,272	1,657,272
2033 - 2036	1,270,000	56,135	1,326,135
Totals	<u>\$ 4,000,000</u>	<u>641,313</u>	<u>\$ 4,641,313</u>

Presented below is a summary of changes in long-term obligations for the Town's governmental and business-type activities for the year ended June 30, 2022:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 212,140	135,982	111,645	236,477	\$ 124,453
Total Governmental Activities	<u>\$ 212,140</u>	<u>135,982</u>	<u>111,645</u>	<u>236,477</u>	<u>\$ 124,453</u>
Business-Type Activities:					
General Obligation Bonds	\$ 4,000,000	-	-	4,000,000	\$ 247,000
Compensated Absences	47,896	25,045	19,355	53,586	21,654
Total Business-Type Activities	<u>\$ 4,047,896</u>	<u>25,045</u>	<u>19,355</u>	<u>4,053,586</u>	<u>\$ 268,654</u>

Resources from the General Fund have been utilized to liquidate the governmental activities long-term obligations. Resources from the Pier Fund will be used to liquidate the general bond obligations, and compensated absences for the business-type activities will be liquidated by the Sanitation Fund.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund ("SCMIRF") and the South Carolina Municipal Insurance Trust ("SCMIT"), which are public entity risk pools currently operating as a common risk management and insurance program for general risk insurance and workers' compensation, respectively.

The Town pays an annual premium to SCMIRF for its general risk insurance. For the year ended June 30, 2022, the Town made premium payments totaling approximately \$316,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF's net assets/position from its most recently issued audited financial statements at December 31, 2021 totaled approximately \$14,371,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years. The Town pays an annual premium to SCMIT for its workers' compensation insurance. For the year ended June 30, 2022, the Town made premium payments totaling approximately \$123,000. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net assets/position from its most recently issued audited financial statements at December 31, 2021, totaled approximately \$57,773,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

B. Retirement Plans

The Town participates in the State of South Carolina's retirement plans. The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The PEBA issues an Annual Comprehensive Financial Report containing financial statements and required supplementary information for the System's Pension Trust Funds. The Annual Comprehensive Financial Report is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the Annual Comprehensive Financial Report of the state.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Description

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for each system is presented below.

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (Continued)

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS ("Plans") contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

Additionally, the PEBA Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

As noted earlier, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town's contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past year are as follows:

	SCRS Rates	PORS Rates
	2022	2022
Employer Contribution Rate: ^		
Retirement	16.41%	18.84%
Incidental Death Benefit	0.15%	0.20%
Accidental Death Contributions	0.00%	0.00%
	16.56%	19.24%
Employee Contribution Rate ^	9.00%	9.75%

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The actual and required contributions to the SCRS and PORS were approximately \$392,000 and \$284,000, respectively, for the year ended June 30, 2022 and include the nonemployer contributions noted below.

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2022. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2022 were approximately \$20,000 and \$15,000 for the SCRS and PORS, respectively. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the Town's governmental fund financial statements.

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The June 30, 2021 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2020. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021, the PEBA Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021 (measurement date) for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (“2020 PRSC”), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-Term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
Total Expected Real Rate of Return	100.0%		5.18%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.43%

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The NPL is calculated separately for each System and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2021 measurement date, for the SCRS and PORS, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 55,131,579,363	33,490,305,970	\$ 21,641,273,393	60.7%
PORS	\$ 8,684,586,488	6,111,672,064	\$ 2,572,914,424	70.4%

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

At June 30, 2022, the Town reported liabilities of approximately \$3,943,000 and \$2,354,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2021, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2020 that was projected forward to the measurement date. The Town's proportion of the NPL were based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2021 measurement date, the Town's SCRS proportion was 0.018218 percent, which was a decrease of 0.000858 percent from its proportion measured as of June 30, 2020. At the June 30, 2021 measurement date, the Town's PORS proportion was 0.091482 percent, which was a decrease of 0.000590 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of approximately \$179,000 and \$130,000 for the SCRS and PORS, respectively. At June 30, 2022, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 67,157	\$ 5,321
Change in Assumptions	215,803	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	572,710
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	18,002	204,329
Employer Contributions Subsequent to the Measurement Date	372,208	-
Total SCRS	<u>673,170</u>	<u>782,360</u>
PORS		
Differences Between Expected and Actual Experience	80,073	7,330
Change in Assumptions	167,881	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	527,702
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	6,538	273,318
Employer Contributions Subsequent to the Measurement Date	269,305	-
Total PORS	<u>523,797</u>	<u>808,350</u>
Total SCRS and PORS	<u>\$ 1,196,967</u>	<u>\$ 1,590,710</u>

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Approximately \$372,000 and \$269,000 that were reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2023	\$ (84,411)	(145,810)	\$ (230,221)
2024	(86,149)	(149,265)	(235,414)
2025	(96,536)	(71,543)	(168,079)
2026	(214,302)	(187,240)	(401,542)
Total	<u>\$ (481,398)</u>	<u>(553,858)</u>	<u>\$ (1,035,256)</u>

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the sensitivity of the Town's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability of the SCRS	\$ 5,164,279	3,942,573	\$ 2,927,082
Town's proportionate share of the net pension liability of the PORS	3,415,006	2,353,761	1,484,439
Total	<u>\$ 8,579,285</u>	<u>6,296,334</u>	<u>\$ 4,411,521</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Annual Comprehensive Financial Report containing financial statements and required supplementary information for the SCRS and PORS. The Annual Comprehensive Financial Report is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Payable to Plans

The Town reported a payable of approximately \$67,000 and \$54,000 to the PEBA as of June 30, 2022, representing required employer and employee contributions for the month of June 2022 for the SCRS and PORS, respectively. This amount is included in Accrued Salaries and Benefits on the financial statements and was paid in July 2022.

C. Contingent Liabilities and Commitments

Grants

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Town. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2022.

Litigation

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

Construction Commitments

The Town had outstanding construction commitments of approximately \$4,759,000 related to the construction of the pier as of June 30, 2022.

Required Supplementary Information

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2022

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Property Taxes	\$ 3,327,000	3,327,000	3,470,716	\$ 143,716
Franchise Fees	697,500	697,500	687,488	(10,012)
Licenses and Permits	1,676,500	1,676,500	2,169,344	492,844
Fines and Forfeitures	113,500	113,500	159,676	46,176
Parking Meters	335,000	335,000	470,266	135,266
Intergovernmental	229,420	320,550	370,439	49,889
Other	145,000	145,000	113,166	(31,834)
TOTAL REVENUES	6,523,920	6,615,050	7,441,095	826,045
EXPENDITURES				
Current:				
General Government	1,349,360	1,502,340	1,490,927	11,413
Public Safety	3,326,450	3,487,785	3,486,556	1,229
Building and Zoning	388,790	420,205	411,030	9,175
Grounds	428,800	471,875	469,916	1,959
Street	1,069,220	1,078,370	1,072,543	5,827
Intergovernmental Maintenance	178,195	188,425	188,011	414
Special Events	208,980	211,595	204,956	6,639
Nondepartmental	216,775	134,775	134,834	(59)
Capital Outlay	46,000	1,912,200	1,413,854	498,346
TOTAL EXPENDITURES	7,212,570	9,407,570	8,872,627	534,943
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(688,650)	(2,792,520)	(1,431,532)	1,360,988
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	10,000	10,000	21,752	11,752
Transfers In	675,650	675,650	697,794	22,144
Transfers Out	(43,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	642,650	685,650	719,546	33,896
NET CHANGE IN FUND BALANCES	(46,000)	(2,106,870)	(711,986)	1,394,884
FUND BALANCES, BEGINNING OF YEAR	6,160,701	6,160,701	6,160,701	-
FUND BALANCES, END OF YEAR	\$ 6,114,701	4,053,831	5,448,715	\$ 1,394,884

Note: The Town's original and final budget reflected a use of fund balance of \$46,000 and \$2,106,870, respectively.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
ACCOMMODATIONS TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Intergovernmental	\$ 625,000	625,000	1,067,889	\$ 442,889
Miscellaneous	3,800	3,800	4,146	346
TOTAL REVENUES	628,800	628,800	1,072,035	443,235
EXPENDITURES				
Current:				
Public Safety	50,000	50,000	18,646	31,354
Special Events	18,000	18,000	19,258	(1,258)
Nondepartmental	189,500	189,500	302,867	(113,367)
Capital Outlay	26,000.00	81,000	96,850	(15,850)
TOTAL EXPENDITURES	283,500	338,500	437,621	(99,121)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	345,300	290,300	634,414	344,114
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	9,674	9,674
Transfers Out	(333,650)	(458,650)	(480,794)	(22,144)
TOTAL OTHER FINANCING SOURCES (USES)	(333,650)	(458,650)	(471,120)	(12,470)
NET CHANGE IN FUND BALANCES	11,650	(168,350)	163,294	331,644
FUND BALANCES, BEGINNING OF YEAR	213,577	213,577	213,577	-
FUND BALANCES, END OF YEAR	\$ 225,227	45,227	376,871	\$ 331,644

Note: The Town's original and final budget reflected an expected surplus of \$11,650 and use of fund balance of \$168,350, respectively.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - HOSPITALITY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Hospitality Taxes	\$ 1,900,000	2,700,000	3,183,855	\$ 483,855
Intergovernmental	17,150	17,150	-	(17,150)
Miscellaneous	4,000	4,000	23,602	19,602
TOTAL REVENUES	1,921,150	2,721,150	3,207,457	486,307
EXPENDITURES				
Current:				
Grounds	15,000	15,000	8,500	6,500
Street	16,500	16,500	8,146	8,354
Nondepartmental	8,000	8,000	15,419	(7,419)
Special Events	5,500	5,500	7,847	(2,347)
Capital Outlay	133,700	276,400	203,800	72,600
TOTAL EXPENDITURES	178,700	321,400	243,712	77,688
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,742,450	2,399,750	2,963,745	563,995
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	7,099	7,099
Transfers Out	(2,505,000)	(2,505,000)	(2,505,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,505,000)	(2,505,000)	(2,497,901)	7,099
NET CHANGE IN FUND BALANCES	(762,550)	(105,250)	465,844	571,094
FUND BALANCES, BEGINNING OF YEAR	1,172,291	1,172,291	1,172,291	-
FUND BALANCES, END OF YEAR	\$ 409,741	1,067,041	1,638,135	\$ 571,094

Note: The Town's original and final budget reflected an expected use of fund balance of \$762,550 and \$102,250, respectively.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
LOCAL ACCOMMODATIONS TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Local Accommodations Taxes	\$ 450,000	850,000	664,680	\$ (185,320)
Miscellaneous	2,000	2,000	850	(1,150)
TOTAL REVENUES	452,000	852,000	665,530	(186,470)
EXPENDITURES				
Nondepartmental	1,750	1,750	2,881	1,131
TOTAL EXPENDITURES	1,750	1,750	2,881	1,131
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	450,250	850,250	662,649	(187,601)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,479,000)	(1,479,000)	(1,479,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,479,000)	(1,479,000)	(1,479,000)	-
NET CHANGE IN FUND BALANCES	(1,028,750)	(628,750)	(816,351)	(187,601)
FUND BALANCES, BEGINNING OF YEAR	1,776,976	1,776,976	1,776,976	-
FUND BALANCES, END OF YEAR	\$ 748,226	1,148,226	960,625	\$ (187,601)

Note: The Town's original and final budget reflected an expected use of fund balance of \$1,028,750 and \$628,750, respectively.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
STORMWATER MANAGEMENT UTILITY FUND**

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Storm Water Fees	\$ 462,000	462,000	472,757	\$ 10,757
Intergovernmental	-	-	504,000	504,000
Miscellaneous	2,000	2,000	420	(1,580)
TOTAL REVENUES	464,000	464,000	977,177	513,177
EXPENDITURES				
Stormwater	113,740	113,740	81,432	32,308
Capital Outlay	825,000	825,000	599,488	225,512
TOTAL EXPENDITURES	938,740	938,740	680,920	257,820
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(474,740)	(474,740)	296,257	770,997
NET CHANGE IN FUND BALANCES	(474,740)	(474,740)	296,257	770,997
FUND BALANCES, BEGINNING OF YEAR	672,694	672,694	672,694	-
FUND BALANCES, END OF YEAR	\$ 197,954	197,954	968,951	\$ 770,997

Note: The Town's original and final budget reflected an expected use of fund balance of \$474,740.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO BUDGETARY COMPARISON SCHEDULES

YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF ACCOUNTING

The budgetary comparison schedules have been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

NOTE 2 – BUDGETARY INFORMATION

The Town follows the following procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

1. Prior to June 1, the Town Administrator submits to Town Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comment.
3. Prior to June 30, 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 the Police Drug Fund and Firefighters' 1% Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Appropriations lapse at the end of each fiscal year.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN OF SURFSIDE BEACH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

LAST NINE FISCAL YEARS

	Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Town of Surfside Beach's Proportion of the Net Pension Liability	0.01822%	0.01908%	0.01953%	0.01919%	0.02019%	0.02006%	0.02025%	0.01967%	0.01967%	
Town of Surfside Beach's Proportionate Share of the Net Pension Liability	\$ 3,942,573	4,874,323	4,458,777	4,300,548	4,545,319	4,285,000	3,840,320	3,386,522	\$ 3,528,096	
Town of Surfside Beach's Covered Payroll	\$ 2,059,359	2,128,217	2,061,977	1,988,931	2,037,115	1,949,996	1,891,178	1,785,789	\$ 1,745,679	
Town of Surfside Beach's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.45%	229.03%	216.24%	216.22%	223.13%	219.74%	203.06%	189.64%	202.10%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%	56.39%	

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

The discount rate was lowered from 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST NINE FISCAL YEARS

	Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Contractually Required Contribution	\$ 392,024	320,439	331,151	300,224	269,699	235,490	215,670	206,138	\$ 189,294	
Contributions in Relation to the Contractually Required Contributions from the Town	372,208	300,623	311,335	280,408	249,883	235,490	215,670	206,138	189,294	
Contributions from the State	19,816	19,816	19,816	19,816	19,816	-	-	-	-	
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	\$ -	
Town of Surfside Beach's Covered Payroll	\$ 2,367,299	2,059,359	2,128,217	2,061,977	1,988,931	2,037,115	1,949,996	1,891,178	\$ 1,785,789	
Contributions as a Percentage of Covered Payroll	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%	

Notes to Schedule:

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF SURFSIDE BEACH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM**

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town of Surfside Beach's Proportion of the Net Pension Liability	0.09148%	0.09207%	0.11069%	0.11002%	0.10908%	0.11372%	0.11512%	0.10792%	0.10792%
Town of Surfside Beach's Proportionate Share of the Net Pension Liability	\$ 2,353,761	3,053,316	3,172,421	3,117,512	2,988,423	2,884,504	2,508,993	2,066,069	\$ 2,237,173
Town of Surfside Beach's Covered Payroll	\$ 1,401,431	1,406,310	1,624,415	1,541,854	1,490,051	1,463,944	1,455,177	1,318,548	\$ 1,236,297
Town of Surfside Beach's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	167.95%	217.12%	195.30%	202.19%	200.56%	197.04%	172.42%	156.69%	180.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.37%	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%	62.98%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

The discount rate was lowered from 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM

LAST NINE FISCAL YEARS

	Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Contractually Required Contribution	\$ 284,431	252,818	253,698	276,800	247,313	209,203	198,218	192,229	\$ 166,664	
Contributions in Relation to the Contractually Required										
Contributions from the Town	269,305	237,692	238,572	261,674	232,187	209,203	198,218	192,229	166,664	
Contributions from the State	15,126	15,126	15,126	15,126	15,126	-	-	-	-	
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	\$ -	
Town of Surfside Beach's Covered Payroll	\$ 1,493,860	1,401,431	1,406,310	1,624,415	1,541,854	1,490,051	1,463,944	1,455,177	\$ 1,318,548	
Contributions as a Percentage of Covered Payroll	19.04%	18.04%	18.04%	17.04%	16.04%	14.04%	13.54%	13.21%	12.64%	

Notes to Schedule:

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.



Supplementary Information

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2022

	FIREFIGHTERS' 1% FUND	POLICE DRUG FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents, Restricted	\$ 29,106	19,243	\$ 48,349
TOTAL ASSETS	29,106	19,243	48,349
FUND BALANCES			
Restricted For:			
Drug Enforcement Program	-	19,243	19,243
Firefighters' 1% Fund	29,106	-	29,106
TOTAL FUND BALANCES	\$ 29,106	19,243	\$ 48,349

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	FIREFIGHTERS' 1% FUND	POLICE DRUG FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Intergovernmental	\$ 67,236	2,100	\$ 69,336
TOTAL REVENUES	67,236	2,100	69,336
EXPENDITURES			
Current:			
Public Safety	65,469	8,688	74,157
TOTAL EXPENDITURES	65,469	8,688	74,157
NET CHANGES IN FUND BALANCES	1,767	(6,588)	(4,821)
FUND BALANCES, BEGINNING OF YEAR	27,339	25,831	53,170
FUND BALANCES, END OF YEAR	\$ 29,106	19,243	\$ 48,349

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Intergovernmental	\$ 420,000	463,000	325,000	\$ (138,000)
Miscellaneous	2,000	2,000	6,038	4,038
TOTAL REVENUES	422,000	465,000	331,038	(133,962)
EXPENDITURES				
Current:				
Public Safety	43,000	43,000	-	43,000
Capital Outlay	430,000	430,000	473,015	(43,015)
TOTAL EXPENDITURES	473,000	473,000	473,015	(15)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(51,000)	(8,000)	(141,977)	(133,977)
OTHER FINANCING SOURCES (USES)				
Transfers In	193,000	150,000	150,000	-
TOTAL OTHER FINANCING SOURCES (USES)	193,000	150,000	150,000	-
NET CHANGE IN FUND BALANCES	142,000	142,000	8,023	(133,977)
FUND BALANCES, BEGINNING OF YEAR	1,380,645	1,380,645	1,380,645	-
FUND BALANCES, END OF YEAR	\$ 1,522,645	1,522,645	1,388,668	\$ (133,977)

Note: The Town's original and final budget reflected a surplus of \$142,000.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - SANITATION FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES				
Charges for Services	\$ 1,470,000	1,470,000	1,545,503	\$ 75,503
Miscellaneous	10,000	10,000	-	(10,000)
TOTAL OPERATING REVENUES	1,480,000	1,480,000	1,545,503	65,503
OPERATING EXPENSES				
Personnel Service and Related Expenses	634,985	634,985	527,178	107,807
Maintenance and Service Contracts	482,140	482,140	531,828	(49,688)
Materials and Supplies	39,000	39,000	33,641	5,359
Depreciation	160,000	160,000	159,401	599
Other Operating Expenses	50,515	50,515	43,898	6,617
TOTAL OPERATING EXPENSES	1,366,640	1,366,640	1,328,593	38,047
TOTAL OPERATING INCOME (LOSS)	113,360	113,360	216,910	103,550
NONOPERATING REVENUES (EXPENSES)				
Interest Earnings	7,000	7,000	2,552	(4,448)
Grant Revenues	-	-	25,141	25,141
Gain on Disposal of Capital Assets	3,000	3,000	57,373	54,373
TOTAL NONOPERATING REVENUES (EXPENSES)	10,000	10,000	85,066	75,066
INCOME BEFORE TRANSFERS	123,360	123,360	301,976	178,616
Transfers Out	(102,000)	(102,000)	(102,000)	-
CHANGE IN NET POSITION	21,360	21,360	199,976	178,616
NET POSITION, BEGINNING OF YEAR	2,534,273	2,534,273	2,534,273	-
NET POSITION, END OF YEAR	\$ 2,555,633	2,555,633	2,734,249	\$ 178,616

Note: The Town's original and final budget reflected an expected surplus of \$21,360.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - PIER FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES				
Other Revenue	\$ -	10,500	-	\$ (10,500)
TOTAL OPERATING REVENUES	-	10,500	-	(10,500)
OPERATING EXPENSES				
General Government	-	-	4,864	(4,864)
Non Departmental	100,000	100,000	1,800	98,200
TOTAL OPERATING EXPENSES	100,000	100,000	6,664	93,336
TOTAL OPERATING INCOME (LOSS)	(100,000)	(89,500)	(6,664)	82,836
NONOPERATING REVENUES (EXPENSES)				
Interest Earnings	5,000	5,000	4,154	(846)
Grant Revenue	6,657,000	6,657,000	6,807,658	150,658
Interest Expense	(87,200)	(87,200)	(87,200)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	6,574,800	6,574,800	6,724,612	149,812
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	6,474,800	6,485,300	6,717,948	232,648
Transfers In	3,594,000	3,719,000	3,719,000	-
CHANGE IN NET POSITION	10,068,800	10,204,300	10,436,948	232,648
NET POSITION, BEGINNING OF YEAR	6,988,209	6,988,209	6,988,209	-
NET POSITION, END OF YEAR	\$ 17,057,009	17,192,509	17,425,157	\$ 232,648

Note: The Town's original and final budget reflected an expected surplus of \$10,068,800 and \$10,204,300, respectively.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2022

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			275,392	275,392
Court fines and assessments remitted to State Treasurer			(133,877)	(133,877)
Total Court Fines and Assessments retained			141,515	141,515
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			7,767	7,767
Assessments retained			14,592	14,592
Total Surcharges and Assessments retained for victim services			22,359	22,359

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC):

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	26,872		26,872
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	14,592		14,592
Victim Service Surcharges Retained by City/County Treasurer	7,767		7,767
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	49,231		49,231
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	(35,435)		(35,435)
Operating Expenditures	(2,776)		(2,776)
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	(38,211)		(38,211)
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	11,020		11,020



STATISTICAL SECTION

This part of the Town of Surfside Beach's ("Town") 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 Town's overall financial health.

Contents	Page
Financial Trends Information <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	88
Revenue Capacity Information <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	95
Debt Capacity Information <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	99
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	103
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	105

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

Table 1

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(accrual basis of accounting)

UNAUDITED

	2022	2021 (2)	2020	2019	2018	2017	2016	2015 (1)	2014	2013
Governmental Activities										
Net Investment in Capital Assets	\$ 18,410,645	16,928,682	17,116,290	16,252,136	14,572,035	13,949,622	14,494,424	13,524,728	12,690,970	\$ 12,904,376
Restricted	3,415,069	3,772,906	2,086,972	1,519,406	1,326,266	1,346,583	1,050,012	1,339,951	1,311,546	1,040,331
Unrestricted	1,397,220	1,404,600	121,377	(157,176)	(171,620)	(662,460)	(1,027,522)	(1,010,070)	3,900,870	3,583,122
Total Governmental Activities Net Position	\$ 23,222,934	22,106,188	19,324,639	17,614,366	15,726,681	14,633,745	14,516,914	13,854,609	17,903,386	\$ 17,527,829
Business-Type Activities										
Net Investment in Capital Assets	\$ 13,547,873	6,515,541	3,867,774	3,685,996	3,286,182	2,961,684	3,087,976	3,173,338	3,623,887	\$ 3,538,083
Restricted	4,489,000	-	-	-	-	-	-	-	-	-
Unrestricted	2,122,533	3,006,941	2,598,079	2,029,716	1,538,329	1,540,630	1,294,751	549,085	96,139	(276,368)
Total Business-Type Activities Net Position	\$ 20,159,406	9,522,482	6,465,853	5,715,712	4,824,511	4,502,314	4,382,727	3,722,423	3,720,026	\$ 3,261,715
Primary Government										
Net Investment in Capital Assets	\$ 31,958,518	23,444,223	20,984,064	19,938,132	17,858,217	16,911,306	17,582,400	16,698,066	16,314,857	\$ 16,442,459
Restricted	7,904,069	3,772,906	2,086,972	1,519,406	1,326,266	1,346,583	1,050,012	1,339,951	1,311,546	1,040,331
Unrestricted	3,519,753	4,411,541	2,719,456	1,872,540	1,366,709	878,170	267,229	(460,985)	3,997,009	3,306,754
Total Primary Government Net Position	\$ 43,382,340	31,628,670	25,790,492	23,330,078	20,551,192	19,136,059	18,899,641	17,577,032	21,623,412	\$ 20,789,544

Notes:

- (1) The Town implemented GASB #68/71 in 2015 related to pension accounting which significantly reduced the Town's unrestricted net position.
(2) The Town implemented GASB #84 in 2021 related to fiduciary activities which increased the Town's restricted net position. See Note I.B in the financial statements for more details.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenses										
Governmental Activities:										
General Government	\$ 1,552,824	1,262,249	924,908	1,721,576	2,465,305	3,050,192	2,088,341	1,682,384	1,760,871	\$ 1,560,174
Public Safety	3,991,995	3,662,938	3,765,303	3,600,643	3,663,807	3,622,358	3,168,777	3,483,746	3,125,304	2,996,133
Building and Zoning	402,412	277,792	337,036	352,557	354,405	389,409	373,636	255,968	219,266	235,281
Grounds	505,787	503,248	478,626	476,182	518,830	372,331	428,513	415,302	348,930	351,443
Street	1,910,536	1,791,320	2,403,836	1,501,774	940,384	1,400,157	2,337,848	1,197,025	994,137	1,189,910
Stormwater	132,835	59,586	91,166	-	-	-	-	-	-	-
Special Events	535,801	474,300	447,458	495,322	463,889	473,322	458,517	270,350	334,751	312,600
Interest and Fiscal Charges	-	457	2,361	4,214	6,088	7,952	9,846	11,631	13,560	32,523
Total Government Activities Expenses	9,032,190	8,031,890	8,450,694	8,152,268	8,412,708	9,315,721	8,865,478	7,316,406	6,796,819	6,678,064
Business-Type Activities:										
Sanitation	1,328,593	1,364,568	1,231,743	1,235,617	1,243,690	1,245,401	974,927	1,056,417	1,078,594	1,029,668
Pier	93,864	525,931	161,795	132,513	136,773	626,839	189,609	204,967	182,813	157,460
Total Business-Type Activities Expenses	1,422,457	1,890,499	1,393,538	1,368,130	1,380,463	1,872,240	1,164,536	1,261,384	1,261,407	1,187,128
Total Primary Government Expenses	\$ 10,454,647	9,922,389	9,844,232	9,520,398	9,793,171	11,187,961	10,030,014	8,577,790	8,058,226	\$ 7,865,192
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 505,806	390,998	289,785	279,586	245,207	315,697	274,290	268,310	238,239	\$ 126,223
Public Safety	164,361	128,291	123,516	181,077	144,831	154,338	151,736	219,411	217,983	192,608
Building and Zoning	274,694	222,200	215,016	231,479	238,534	232,691	228,091	148,039	147,071	116,410
Stormwater	472,757	467,399	451,703.00	-	-	-	-	-	-	-
Special Events	24,674	8,815	22,639	26,827	25,795	26,333	26,503	34,180	20,289	23,076
Operating Grants and Contributions	159,195	103,772	148,138	160,762	170,863	1,105,120	54,053	26,814	119,314	296,602
Capital Grants and Contributions	829,000	489,640	811,061	1,424,713	1,203,840	226,267	1,605,729	432,514	111,623	296,415
Total Governmental Activities Program Revenues	2,430,487	1,811,115	2,061,858	2,304,444	2,029,070	2,060,446	2,340,402	1,129,268	854,519	1,051,334
Business-Type Activities:										
Charges For Services:										
Sanitation	1,545,503	1,513,340	1,447,186	1,447,018	1,413,417	1,388,531	1,403,291	1,368,295	1,349,232	1,171,778
Pier	-	123,679	239,600	275,631	288,882	424,808	501,049	441,532	382,258	288,298
Operating Grants and Contributions	25,141	14,032	226,721	602,009	46,520	195,287	39,835	1,000	73,766	-
Capital Grants and Contributions	6,807,658	2,899,154	-	-	-	122,400	-	-	-	-
Total Business-Type Activities Program Revenues	8,378,302	4,550,205	1,913,507	2,324,658	1,748,819	2,131,026	1,944,175	1,810,827	1,805,256	1,460,076
Total Primary Government Program Revenues	\$ 10,808,789	6,361,320	3,975,365	4,629,102	3,777,889	4,191,472	4,284,577	2,940,095	2,659,775	\$ 2,511,410

(Continued)

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net (Expense) Revenue										
Governmental Activities	\$ (6,601,703)	(6,220,775)	(6,388,836)	(5,847,824)	(6,383,638)	(7,255,275)	(6,525,076)	(6,187,138)	(5,942,300)	\$ (5,626,730)
Business-Type Activities	6,955,845	2,659,706	519,969	956,528	368,356	258,786	779,639	549,443	543,849	272,948
Total Primary Government Net Expense	\$ 354,142	(3,561,069)	(5,868,867)	(4,891,296)	(6,015,282)	(6,996,489)	(5,745,437)	(5,637,695)	(5,398,451)	\$ (5,353,782)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property Taxes	\$ 3,461,511	3,346,396	3,182,109	3,308,065	3,052,578	3,037,597	3,013,732	3,003,056	2,494,523	\$ 2,436,542
Local Accommodations Taxes	664,680	1,292,030	955,092	183,409	184,083	184,012	175,485	165,672	150,961	150,517
Hospitality Taxes	3,183,855	1,008,883	853,035	870,946	863,141	855,833	819,796	768,475	705,656	667,065
Business Licenses	1,894,650	1,649,713	1,626,068	1,584,086	1,569,972	1,578,003	1,536,507	1,522,954	1,440,256	1,535,250
Franchise Fees	687,488	676,532	671,056	673,673	676,796	650,654	632,477	628,405	624,537	586,016
Intergovernmental Revenue	1,282,045	1,076,715	846,730	898,460	883,438	881,228	844,702	809,695	726,955	785,228
Investment Earnings	15,096	25,291	51,834	47,673	14,930	13,284	16,530	20,309	22,392	32,445
Gain on Disposal of Capital Assets	11,473	39,258	18,286	2,667	-	-	-	2,943	1,406	17,337
Miscellaneous Revenue	134,651	208,878	100,957	56,180	129,186	26,905	25,321	57,024	61,731	11,930
Transfers	(3,617,000)	(362,000)	(206,058)	110,350	102,450	144,590	122,831	99,242	89,440	(244,523)
Total Governmental Activities	7,718,449	8,961,696	8,099,109	7,735,509	7,476,574	7,372,106	7,187,381	7,077,775	6,317,857	5,977,807
Business-Type Activities:										
Investment Earnings	6,706	14,728	19,814	15,352	4,648	3,786	2,620	2,049	1,588	2,860
Gain on Disposal of Capital Assets	57,373	20,195	4,300	29,671	51,643	1,605	876	20,044	2,314	3,542
Transfers	3,617,000	362,000	206,058	(110,350)	(102,450)	(144,590)	(122,831)	(99,242)	(89,440)	244,523
Total Business-Type Activities	3,681,079	396,923	230,172	(65,327)	(46,159)	(139,199)	(119,335)	(77,149)	(85,538)	250,925
Total Primary Government	\$ 11,399,528	9,358,619	8,329,281	7,670,182	7,430,415	7,232,907	7,068,046	7,000,626	6,232,319	\$ 6,228,732
Change in Net Position										
Governmental Activities	\$ 1,116,746	2,740,921	1,710,273	1,887,685	1,092,936	116,831	662,305	890,637	375,557	\$ 351,077
Business-Type Activities	10,636,924	3,056,629	750,141	891,201	322,197	119,587	660,304	472,294	458,311	523,873
Total Primary Government	\$ 11,753,670	5,797,550	2,460,414	2,778,886	1,415,133	236,418	1,322,609	1,362,931	833,868	\$ 874,950

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 3

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE

LAST TEN FISCAL YEARS

(accrual basis of accounting)

UNAUDITED

Fiscal Year	Property Taxes	Local			Franchise Fees	Hospitality Taxes	Total
		Accommodations Taxes	Business Licenses Taxes				
2013	\$ 2,436,542	150,517	1,535,250		586,016	667,065	\$ 5,375,390
2014	2,494,523	150,961	1,440,256		624,537	705,656	5,415,933
2015	3,003,056	165,672	1,522,954		628,405	768,475	6,088,562
2016	3,013,732	175,485	1,536,507		632,477	819,796	6,177,997
2017	3,037,597	184,012	1,578,003		650,654	855,833	6,306,099
2018	3,052,578	184,083	1,569,972		676,796	863,141	6,346,570
2019	3,308,065	183,409	1,584,086		673,673	870,946	6,620,179
2020 (1)	3,182,109	955,092	1,626,068		671,056	853,035	7,287,360
2021	3,346,397	1,292,030	1,649,713		676,532	1,008,883	7,973,555
2022 (2)	\$ 3,461,511	664,680	1,894,650		687,488	3,183,855	\$ 9,892,184

Notes:

- (1) The Town increased the local accommodations tax rate from 0.5% to 3% and the hospitality tax rate from 1.0% to 2.0% for FY20 and FY21. Anticipated increases in revenues were partially offset by the impact of COVID-19.
- (2) The Town decreased the local accommodations tax rate to 0.5% and the hospitality tax rate to 1.0% in FY22 following the settlement of litigation with Horry County. In addition to revenue generated by the rates established by the Town, the Town also receives local accommodations tax and hospitality tax revenues at a rate of .05% and 1.0% established by the County. In addition to current year taxes, the Town received additional revenues of approximately \$104,000 and \$418,000 in FY22, representing prior year collections of local accommodations taxes and hospitality taxes, respectively, as a result of the settlement agreement.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	2022	Fiscal Year									
		2021	2020	2019	2018	2017	2016	2015	2014	2013	
General Fund											
Nonspendable	\$ 29,459	31,062	25,343	334,574	105,471	292,821	415,173	414,097	581,756	\$ 858,418	
Restricted	21,792	39,581	38,099	43,219	44,052	53,239	54,765	45,159	805,161	683,621	
Committed	1,200,000	1,200,000	1,200,000	800,000	800,000	400,000	400,000	-	-	-	
Assigned	1,311,285	1,154,463	769,103	1,331,430	1,297,266	1,013,402	644,497	1,380,001	881,524	518,351	
Unassigned	2,886,179	3,735,595	3,111,680	2,591,761	2,403,084	2,476,439	1,797,943	1,544,554	1,972,674	1,301,738	
Total General Fund	\$ 5,448,715	6,160,701	5,144,225	5,100,984	4,649,873	4,235,901	3,312,378	3,383,811	4,241,115	\$ 3,362,128	
All Other Governmental Funds											
Nonspendable	\$ 4,189	-	-	-	-	-	2,710	12,500	14,980	\$ 12,911	
Restricted	3,389,088	3,733,325	2,048,873	1,476,187	1,282,214	1,293,344	992,537	1,282,292	491,405	343,799	
Committed (1)	968,951	672,694	416,828	-	-	-	-	-	-	-	
Assigned	1,019,371	863,334	807,656	717,459	864,963	577,228	860,541	603,279	624,791	818,555	
Total All Other Governmental Funds	\$ 5,381,599	5,269,353	3,273,357	2,193,646	2,147,177	1,870,572	1,855,788	1,898,071	1,131,176	\$ 1,175,265	

Notes:

(1) The Town implemented a Stormwater Utility Management fee in FY2020.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 5

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
Property Taxes	\$ 3,470,716	3,377,022	3,273,940	3,150,488	3,056,820	3,022,519	2,987,188	2,966,545	2,516,057	\$ 2,446,609
Hospitality Taxes	3,183,855	1,008,883	853,035	870,946	863,141	855,833	819,796	768,475	705,656	667,065
Local Accommodations Taxes	664,680	1,292,030	955,092	183,409	184,083	184,012	175,485	165,672	150,961	150,517
Licenses and Permits	2,169,344	1,871,912	1,841,083	1,815,566	1,808,506	1,806,694	1,755,198	1,670,993	1,589,382	1,653,590
Franchise Fees	687,488	676,532	671,056	673,673	676,796	650,654	632,477	628,405	624,537	586,016
Fines and Forfeitures	159,676	124,106	113,493	141,818	110,106	125,275	149,969	148,449	163,446	160,154
Parking Meters (2)	470,266	362,291	271,512	260,081	227,914	293,885	256,533	255,683	223,480	-
Stormwater	472,757	467,399	451,703	-	-	-	-	-	-	-
Intergovernmental	2,336,664	1,722,858	1,810,646	2,517,410	2,281,623	2,235,085	2,501,260	1,324,369	1,148,416	1,204,567
Other	148,222	223,145	199,010	155,968	198,447	98,927	100,502	139,756	166,155	229,198
Total Revenues	13,763,668	11,126,178	10,440,570	9,769,359	9,407,436	9,272,884	9,378,408	8,068,347	7,288,090	7,097,716
Expenditures										
General Government	1,490,927	1,192,473	1,234,915	1,238,870	1,387,029	1,144,720	1,266,413	1,268,985	1,116,495	994,020
Public Safety	3,579,359	3,171,790	3,096,212	3,156,249	3,199,186	2,990,139	2,921,685	3,049,687	2,765,259	2,704,284
Building and Zoning	411,030	270,754	308,656	336,315	331,132	365,354	372,552	249,143	211,862	235,210
Grounds	478,416	397,887	373,514	418,787	522,495	406,723	448,090	380,546	299,740	299,839
Street	1,080,689	997,551	980,966	996,857	931,438	1,008,930	845,053	859,279	748,886	964,627
Stormwater	81,432	61,905	71,450	-	-	-	-	-	-	-
Intergovernmental Maintenance	188,011	162,491	157,258	165,686	161,796	150,917	141,078	138,607	113,937	121,971
Special Events	232,061	196,508	225,899	237,522	240,955	229,325	236,110	247,566	319,462	284,250
Non-Departmental	456,001	353,698	342,379	315,557	1,050,147	1,732,852	1,455,656	359,445	344,076	328,211
Capital Outlay	2,787,007	991,905	2,287,352	2,493,766	928,270	373,972	1,857,050	1,652,474	557,558	639,709
Debt Service	-	73,146	73,147	73,147	73,147	73,147	73,147	73,147	73,147	488,147
Principal	-	1,855	3,748	5,607	7,481	9,370	11,213	13,087	14,951	29,352
Interest	-	-	-	-	-	-	-	-	10	1,000
Agent Fees	-	-	-	-	-	-	-	-	-	-
Total Expenditures	10,784,933	7,871,963	9,155,496	9,438,363	8,833,076	8,485,449	9,628,047	8,291,966	6,565,383	7,090,620
Excess of Revenues Over (Under) Expenditures	2,978,735	3,254,215	1,285,074	330,996	574,360	787,435	(249,639)	(223,619)	722,707	7,096
Other Financing Sources (Uses)										
Proceeds Sale of Capital Assets	38,525	79,629	43,936	56,234	13,767	6,283	13,092	33,968	22,751	19,383
Issuance of Debt	-	-	-	-	-	-	-	-	-	-
Transfers In	847,794	682,579	1,327,339	1,393,306	1,374,137	1,225,327	1,065,889	2,015,765	844,606	782,297
Transfers Out	(4,464,794)	(1,044,579)	(1,533,397)	(1,282,956)	(1,271,687)	(1,080,738)	(943,058)	(1,916,523)	(755,166)	(1,026,820)
Total Other Financing Sources (Uses)	(3,578,475)	(282,371)	(162,122)	166,584	116,217	150,872	135,923	133,210	112,191	(223,140)
Net Change in Fund Balances	\$ (599,740)	2,971,844	1,122,952	497,580	690,577	938,307	(113,716)	(90,409)	834,898	\$ (218,044)
Debt Service as a Percentage of Noncapital Expenditures	0.00%	1.09%	1.12%	1.13%	1.02%	1.02%	1.09%	1.30%	1.47%	8.04%

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 6

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Tax Year	Local				Franchise Fees	Hospitality Taxes	Total
		Property Taxes	Accommodations Taxes	Permits	Licenses and			
2013	2012	\$ 2,446,609	150,517	1,535,250		586,016	667,065	\$ 5,385,457
2014	2013	2,516,057	150,961	1,440,256		624,537	705,656	5,437,467
2015	2014	2,966,545	165,672	1,524,722		628,405	768,475	6,053,819
2016	2015	2,987,188	175,485	1,536,507		632,477	819,796	6,151,453
2017	2016	3,022,519	184,012	1,578,003		650,654	855,833	6,291,021
2018	2017	3,056,820	184,083	1,569,972		676,796	863,141	6,350,812
2019	2018	3,150,488	183,409	1,584,086		673,673	870,946	6,462,602
2020	2019	3,273,940	955,092	1,841,083		671,056	853,035	7,594,206
2021	2020	3,377,022	1,292,029	1,871,912		676,532	1,008,883	8,226,378
2022	2021	\$ 3,470,716	664,680	2,169,344		687,488	3,183,855	\$ 10,176,083

Notes:

- (1) The Town increased the local accommodations tax rate from 0.5% to 3% and the hospitality tax rate from 1.0% to 2.0% for FY20 and FY21. Anticipated increases in revenues were partially offset by the impact of COVID-19.
- (2) The Town decreased the local accommodations tax rate to 0.5% and the hospitality tax rate to 1.0% in FY22 following the settlement of litigation with Horry County. In addition to revenue generated by the rates established by the Town, the Town also receives local accommodations tax and hospitality tax revenues at a rate of .05% and 1.0% established by the County. In addition to current year taxes, the Town received additional revenues of approximately \$104,000 and \$418,000 in FY22, representing prior year collections of local accommodations taxes and hospitality taxes, respectively, as a result of the settlement agreement.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 7

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Tax Year	Real Property Assessed Value	Personal Property Assessed Value (2)	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Tax millage	Estimated Actual Market Value	Assessed Value as a Percentage of Actual Value
2013	2012	\$ 57,234,458	2,405,418	928,442	\$ 58,711,434	40.0	\$ 1,052,111,618	5.58%
2014	2013	58,298,866	2,330,330	931,440	59,697,756	40.0	1,070,180,304	5.58%
2015	2014	59,335,525	2,455,885	972,129	60,819,281	46.2	1,090,261,509	5.58%
2016	2015	61,242,090	3,875,040	1,081,270	64,035,860	46.2	1,112,338,745	5.76%
2017	2016	61,137,220	2,621,359	1,080,000	62,678,579	46.2	1,139,796,685	5.50%
2018	2017	61,720,450	2,580,153	1,195,780	63,104,823	46.2	1,190,074,193	5.30%
2019	2018	63,155,810	2,723,373	1,316,830	64,562,353	46.2	1,195,599,130	5.40%
2020	2019	72,088,400	2,539,250	1,412,700	73,214,950	43.0	1,539,767,590	4.75%
2021	2020	74,482,080	2,778,900	1,476,410	75,784,570	43.0	1,566,076,620	4.84%
2022	2021	\$ 75,084,190	2,955,300	1,587,530	76,451,960	43.0	\$ 1,608,626,670	4.75%

Source: Horry County Assessors Office

Note:

(1) Fiscal year 2015 and 2020 were Horry County Property Tax Reassessment years.

(2) Personal property does not include vehicles.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 8

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Tax Year	Total Town Millage	Overlapping Rates						Total Direct & Overlapping Rates
			County			School District			
			Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	
2013	2012	40.00	40.20	5.00	45.20	120.20	10.00	130.20	215.40
2014	2013	40.00	40.20	5.00	45.20	120.20	10.00	130.20	215.40
2015	2014	46.20	40.20	5.00	45.20	123.10	10.00	133.10	224.50
2016	2015	46.20	47.40	5.00	52.40	123.10	10.00	133.10	231.70
2017	2016	46.20	47.40	5.00	52.40	123.10	10.00	133.10	231.70
2018	2017	46.20	47.40	5.00	52.40	123.10	10.00	133.10	231.70
2019	2018	46.20	47.40	5.00	52.40	123.10	10.00	133.10	231.70
2020	2019	43.00	46.00	4.70	50.70	118.10	10.00	128.10	221.80
2021	2020	43.00	49.00	4.20	53.20	118.10	10.00	128.10	224.30
2022	2021	43.00	49.20	4.00	53.20	118.10	10.00	128.10	224.30

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

Note:

(1) Fiscal Year 2015 and 2020 were Horry County Property Tax Reassessment years.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 9

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

	2022			2013		
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	\$ 588,040	1	0.80%	\$ 436,398	1	0.74%
TCJ Surfside, LLC	448,200	2	0.61%			
Surfside Dev Partners, LLC	425,940	3	0.58%	246,000	3	0.41%
Robinson, Jean H	245,440	4	0.34%	199,722	4	0.34%
Surfside Beach Shopping Center, LLC	200,680	5	0.27%	155,130	8	0.26%
Refuel Operating Company	193,590	6	0.26%			
Blue Whale, LLC	171,120	7	0.23%	145,152	9	0.24%
RRWB Properties, LLC	169,430	8	0.23%			
Tebele Investment Group	169,270	9	0.23%	144,810	10	0.24%
Floral Beach Corporation	160,139	10	0.22%			
Columbia II Surfside Commons				420,000	2	0.71%
William McKown				166,809	5	0.28%
Deerfield Myrtle Beach, LLC				156,918	6	0.26%
River City Café Holdings, LLC				155,544	7	0.26%
	\$ 2,771,849		3.79%	\$ 2,226,483		3.75%

Source: Horry County Treasurer's Office

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Tax Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2013	2012	\$ 2,379,213	\$ 2,312,936	97.2%	\$ 52,863	\$ 2,365,799	99.44%
2014	2013	2,387,910	2,316,133	97.0%	59,003	2,375,136	99.47%
2015	2014	2,809,435	2,743,750	97.7%	47,325	2,791,075	99.35%
2016	2015	2,830,005	2,759,231	97.5%	50,525	2,809,756	99.28%
2017	2016	2,945,645	2,871,910	97.5%	51,727	2,923,637	99.25%
2018	2017	2,970,690	2,894,980	97.5%	51,256	2,946,236	99.18%
2019	2018	3,043,620	2,967,650	97.5%	43,787	3,011,437	98.94%
2020	2019	3,208,990	3,073,350	95.8%	36,116	3,109,466	96.90%
2021	2020	3,258,740	3,150,840	96.7%	27,425	3,178,265	97.53%
2022	2021	\$ 3,355,700	\$ 3,212,360	95.7%	-	\$ 3,212,360	95.73%

Source: Horry County Treasurer

Notes:

(1) Total tax levy real estate and personal property.

Table 11

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Capital Leases		General Obligation Bonds				
2013	\$	585,175	-	-	585,175	0.37%	\$
2014		512,028	-	-	512,028	0.33%	133
2015		438,881	-	-	438,881	1.75%	105
2016		365,734	-	-	365,734	1.38%	83
2017		292,587	-	-	292,587	1.03%	66
2018		219,440	-	-	219,440	0.72%	49
2019		146,293	-	-	146,293	0.48%	33
2020		73,146	-	-	73,146	0.23%	16
2021		-	4,000,000	4,000,000	4,000,000	2.42%	941
2022	\$	-	4,000,000	4,000,000	4,000,000	2.07%	\$

Note:

(1) See the Schedule of Demographic and Economic Statistics (Table 15) for personal income and population data.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

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)
2013	\$ -	-	\$ -	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2019	-	-	-	0.00%	-
2020	-	-	-	0.00%	-
2021	4,000,000	-	4,000,000	0.26%	863
2022	\$ 4,000,000	-	\$ 4,000,000	0.25%	863

Notes:

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property (Table 7) for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics (Table 15).

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 13

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

YEAR ENDED JUNE 30, 2022

UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Debt
Debt Repaid with Property Taxes:			
County	\$ 56,878,000	2.9%	\$ 1,626,711
School District	327,134,000	2.9%	9,356,032
Total Overlapping Debt			10,982,743
Town of Surfside Beach - Direct			-
Total Direct and Overlapping Debt			\$ 10,982,743

Sources: Assessed value data used to estimate applicable percentages provided by the Horry County Treasurer's Office. Outstanding debt provided by the Finance Departments of Horry County and the Horry County School District and represents balances as of June 30, 2021, the most current information available.

Notes:

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values.

(2) 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.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 14

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Debt limit	\$ 6,133,738	6,180,878	5,970,212	5,270,335	5,411,184	5,169,988	5,209,370	4,943,313	4,793,968	\$ 4,715,063
Total net debt applicable to limit	4,000,000	4,000,000	-	-	-	-	-	-	-	-
Legal debt margin	\$ 2,133,738	2,180,878	5,970,212	5,270,335	5,411,184	5,169,988	5,209,370	4,943,313	4,793,968	\$ 3,744
Total net debt applicable to the limit as a percentage of debt limit	65.21%	64.72%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed Value	\$ 75,084,190
Add back: exempt real property	1,587,530
Total assessed value	76,671,720
Debt limit (8% of total assessed value)	6,133,738
Debt applicable to limit:	
General obligation bonds	(4,000,000)
Legal debt margin	\$ 2,133,738

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Population	Per Capita Personal Income	Personal Income (amounts expressed in thousands)	Median Age	Unemployment Rate
2013	4,095	\$	99,742	50.5	8.6%
2014	4,182		104,663	50.5	5.5%
2015	4,279		112,375	50.5	6.7%
2016	4,391		116,629	50.5	5.6%
2017	4,416		125,644	50.5	5.6%
2018	4,468		135,416	52.3	5.0%
2019	4,515		142,083	53.2	4.2%
2020	4,206		139,240	54.2	10.6%
2021	4,253		165,016	54.0	6.3%
2022	4,302	\$	192,992	54.0	3.9%

Source: U.S. Census Data

Note: The most recent U.S. Census was performed in 2020.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 16

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Employer	2022			2013		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Crabby Mike's	85	1	unavailable	130	1	unavailable
Food Lion	74	2	unavailable	n/a	n/a	n/a
Town of Surfside Beach	72	3	unavailable	77	3	unavailable
Surfside Realty Co, Inc.	60	4	unavailable	64	5	unavailable
Holiday Inn	55	5	unavailable	42	9	unavailable
Piggly Wiggly	50	6	unavailable	65	4	unavailable
Dagwoods Deli & Sportsbar	50	7	unavailable	45	8	unavailable
Lane's Pest Elimination	45	8	unavailable	54	7	unavailable
Surfside Beach Resort	38	9	unavailable	60	6	unavailable
River City Café	35	10	unavailable	n/a	n/a	n/a
Bi-Lo	-			87	2	unavailable
Original Benjamin's Calabash	-			33	10	unavailable
Total	564			657		

Source: Finance Department and Each Employer

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 17

FULL TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Full Time Equivalent Employees as of Fiscal Year End									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Government	7	8	8	8	9	10	10	11	13	11
Public Safety										
Police										
Officers	19	19	19	19	20	21	21	21	21	21
Communications/Office	5	5	5	7	7	6	6	6	6	6
Fire										
Firefighters	9	7	7	7	7	7	7	7	7	7
Building and Zoning	4	3	3	4	4	5	5	5	3	3
Grounds	5	5	5	5	5	5	5	5	4	4
Street	11	11	11	11	11	11	11	11	10	10
Facilities	1	1	1	2	2	2	2	2	2	2
Intergovernmental Maintenance	2	2	2	2	2	2	2	2	2	2
Culture and Recreation	1	1	1	1	1	1	1	1	2	2
Sanitation	8	8	8	9	9	9	9	9	9	9
Total	72	70	70	75	77	79	79	80	79	77

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Table 18

OPERATING INDICATORS

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2022 (2)	2021	2020	2019	2018	2017 (1)	2016	2015	2014	2013
Police										
Physical arrest	491	417	332	463	607	709	746	898	833	857
Parking Violations	2,258	998	1,469	1,634	1,008	2,509	2,106	2,589	3,185	2,320
Traffic Violations	3,808	1,856	3,775	1,261	1,781	3,100	2,695	3,046	3,265	2,716
Fire										
Number of calls Answered	1,297	1,176	917	1,205	1,722	1,768	1,620	1,663	1,052	781
Building and Zoning										
New Construction Permits	34	27	25	20	32	34	40	24	20	21
Culture and Recreation										
Events held	23	20	15	26	26	23	23	23	18	18
Sanitation										
Refuse Collected (tons)	8,181	7,747	7,741	7,536	7,434	8,074	7,249	7,054	6,885	6,812
Recyclables Collected (tons)	614	636	585	556	552	541	526	530	521	510
Pier										
Admissions	N/A	N/A	N/A	N/A	N/A	N/A	84,377	71,752	63,345	55,881
Fishing	N/A	N/A	N/A	N/A	N/A	N/A	14,921	17,518	13,348	11,533

Notes:

(1) The Pier temporarily closed for operations as a result of significant damage incurred during Hurricane Matthew in October 2016.

(2) Parking and Traffic violations increased as a result of a new parking program implemented by the Town in FY22 in addition to increases in tourism related activity which led to more citations.

TOWN OF SURESIDE BEACH, SOUTH CAROLINA

CAPITAL ASSET STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	39	39	39	39	39	39	39	39	39	39
Streetlights	518	518	518	518	518	518	518	518	518	518
Traffic signals	6	6	3	3	3	3	3	3	3	3
Culture and Recreation										
Parks acreage	32	32	32	32	32	32	32	32	32	32
Parks	8	8	8	8	8	8	8	8	8	8
Tennis courts	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	2	2	2	2	2	2	2	2
Sanitation										
Collection trucks	9	9	9	9	8	8	8	7	7	7
Pier (1)										
Fishing Pier	N/A	N/A	N/A	N/A	N/A	1	1	1	1	1

Notes:

(1) The Pier was purchased by the Town on September 30, 2008. The Pier was significantly damaged as a result of Hurricane Matthew in October 2016 and was closed to the public pending repairs.



Compliance Section

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number or Grant/Contract Number	Federal Expenditures
Department of Homeland Security:			
Passed Through South Carolina Emergency Management Division			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
FEMA-Hurricane Matthew	97.036	FEMA-4286-DR-SC	\$ 4,730,744
FEMA-Hurricane Dorian	97.036	FEMA-4464-EM-SC	9,872
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>4,740,616</u>
Total Department of Homeland Security			<u>4,740,616</u>
Department of Treasury:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	91,103
Total Department of Treasury			<u>91,103</u>
Total Expenditures of Federal Awards			<u>\$ 4,831,719</u>

See accompanying notes to the schedule of expenditures of federal awards.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

A. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the Town of Surfside Beach, South Carolina (the “Town”) for the year ended June 30, 2022. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting.

C. RELATIONSHIP TO FINANCIAL STATEMENTS

Federal award expenditures and expenses are reported in the Town’s financial statements primarily in the General Fund and Pier Fund.

D. MATCHING COSTS

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

E. SUB-RECIPIENTS

The Town did not provide any federal awards to sub-recipients during fiscal year 2022.

F. INDIRECT COST RATE

The amount expended does not include any amounts claimed as an indirect cost recovery, as the Town elected not to use the 10% *de minimis* cost rate.





Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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*

Independent Auditor's Report

The Honorable Mayor and Members of Town Council
Town of Surfside Beach
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 (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 a 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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 financial statements. 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*.

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APPOINTMENT ONLY

Purpose of This 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.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
September 27, 2022



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Surfside Beach, South Carolina's (the "Town") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2022. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
September 27, 2022

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

There were no findings reported in the prior year.

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)?	<u> </u> Yes	<u> X </u> No
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Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ </u> 750,000
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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Section II - Findings - Current Year Financial Statements Audit

No matters to report.

Section III - Findings and Questioned Costs - Major Federal Awards Programs Audit

No matters to report.