

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

Issued by: Department of Finance
Randy J. Wright, Director

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

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INTRODUCTORY SECTION



December 21, 2006

To the Honorable Mayor, Members of City Council, and Citizens of North Myrtle Beach:

We are pleased to submit the Comprehensive Annual Financial Report of the City of North Myrtle Beach, South Carolina for the Fiscal Year Ended June 30, 2006 (FY 2006). The report contains a comprehensive analysis of the City's financial position and activities for the period. This report is presented in three sections: 1) the Introductory Section, this transmittal letter, a listing of City officials, and the organizational structure; 2) the Financial Section, which consists of the independent auditor's report, management's discussion and analysis, basic financial statements and notes to the financial statements, detailed combining and individual statements and required supplement information; and 3) the Statistical Section, which contains pertinent financial and general information indicating trends for comparative fiscal periods.

Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of North Myrtle Beach. We believe the enclosed is accurate in all material aspects, and that it is presented in a manner designed to fairly set forth the financial position and results of operation of the various funds of the government in accordance with accounting principles generally accepted in the United States of America GAAP; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included. Management has established and maintains a system of internal controls to provide for this assurance.

In accordance with Section 5-13-30 of the South Carolina Code of Laws, an annual audit was performed by Robert E. Milhous, C.P.A.; P.A., a firm of licensed certified public accounts. The goal of the independent audit was to provide reasonable assurance that the Financial Statements are free of material misstatement. The auditor's report in the Financial Section provides a discussion of the audit and its procedures. The independent auditor has rendered an unqualified opinion that the City of North Myrtle Beach's financial statements for the fiscal year ended June 30, 2006, are fairly presented in accordance with GAAP.

Additional information as well as an overview and analysis of the City's financial position and statements can be found in the Management's Discussion and Analysis section of this report. This analysis is located after the Auditor's Opinion.

PROFILE OF THE GOVERNMENT

The City of North Myrtle Beach is located on the Atlantic Ocean and encompasses the northeastern section of the South Carolina coastal beach area known as the Grand Strand. North Myrtle Beach operates in and is governed by the laws of the State of South Carolina and also by its own charter, which was first adopted by the electorate on May 7, 1968. The charter provides for a Council-Manager form of government. Legislative authority is vested in the Mayor and six Council members as of November 2005 elected at-large; provided, one council

member shall be a resident of the Crescent Beach Ward, one a resident of the Cherry Grove Ward, one a resident of the Ocean Drive Ward, and one a resident of the Windy Hill Ward. The terms of office are for four years each. The present term for council members from the Cherry Grove and Crescent Beach Wards will expire during November 2007. The present term of the Mayor and the councilmembers from the Ocean Drive and Windy Hill Wards will expire during November 2009. The two at-large councilmembers were added November 2001 – they both have a four-year term and one will expire during November 2007 while the other will be November 2009. The Mayor and Council enact ordinances and resolutions relating to City services, levy of taxes, appropriation and borrowing, licensing and regulating of businesses and trades, and other municipal purposes.

The City of North Myrtle Beach provides a full range of services, including police and fire protection; the construction and maintenance of streets, drainage, and other infrastructure; and recreational activities, and cultural events. Water, sewer, and solid waste are provided by the government through enterprise funds.

The annual budget serves as the foundation for the City of North Myrtle Beach's financial planning and control. All departments of the City are required to submit requests for appropriation to the Finance Department on or before the first week of January each year. The Finance Department uses these requests as the starting point for developing a proposed budget. The government's manager then reviews this proposed budget and makes adjustments to be presented to Council at the annual budget retreat held the beginning of March. The Council then makes any suggestion or changes in programs and policy and instructs staff to provide a budget document by the end of April, sixty days prior to the beginning of the fiscal year. Council then holds a public hearing and as soon thereafter as possible, adopts a budget and passes a tax levy ordinance and such other ordinances as may be required to make the budget effective. The appropriated budget is adopted by total expenditures. Detail is provided for accounting and budgetary control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 48 and 49 as part of the basic financial statements for the governmental funds.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Condition and Outlook

The City of North Myrtle Beach is located on the Atlantic Ocean and encompasses the northeastern section of the South Carolina coastal beach area known as the Grand Strand. The near term current economic outlook appears to be continued growth through 2007. Indicators such as water usage, property tax revenues, hospitality fees, building permits, and accommodations tax receipts continue to show a very healthy growth on an annual basis. Other factors such as registered voters also show an ever-increasing permanent population in North Myrtle Beach.

The construction industry continues to be a major factor in the City's growth. A total of \$49,355,956 of permitted construction, both residential and commercial, has occurred over the first four months of FY 2007. This represents a decrease of 52% under the previous fiscal year. Last year, however, was by far the highest year for new construction in the City's history. Major development continues to occur throughout the City, with continued development of Barefoot Landing Resort which encompasses 5 square miles on the west side of the Intracoastal Waterway, and the redevelopment of the Gator Hole Golf Course and ocean front property, citywide construction remains at a high level of activity.

The long-term economic outlook for the City of North Myrtle Beach is positive. The community continues to be a highly visited vacation spot which offers popular attractions such as golf, the beach, entertainment, and shopping. Also, the recent addition of major roads such as Route 22 and 31 in the area has opened up new areas for development as well as provided alternative routes in order to alleviate some traffic congestion.

Significant growth in the retail and restaurant industries will continue to provide a strong economic picture for the City of North Myrtle Beach. Significant land areas are in the process of annexing into the City which will provide two very large commercial districts for these industries to continue to grow.

Long-Term Financial Planning

The new Aquatic & Fitness Center was completed in November of 2005. The center has over 3,000 members and is adding new customers daily. The project has greatly enhanced the quality of life for city residents and those who choose to join from surrounding areas. The center is run as an enterprise fund and user fees are charged in order to make the center self supporting.

Revenue bonds in the amount of \$8,000,000 were issued in July 2004 to begin the initial construction phase of the Storm Water Drainage Plan. The plan is a 17-year project to provide for an adequate storm water system throughout North Myrtle Beach. This project will also eliminate open beach outfalls, which cause significant water quality issues during heavy rains. New ocean outfalls have been installed at 6th Avenue South and 21st Avenue South.

ACCOUNTING SYSTEM

The City's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with self-balancing set of accounts. The types of funds to be used are determined by Generally Accepted Accounting Principles, and the number of individual funds established is determined by sound financial administration.

The City's records are maintained on a modified accrual basis for all governmental and fiduciary fund types, except the Pension Trust Fund. Accordingly, revenues are recognized when susceptible to accrual, i.e., measurable and available. Expenditures other than interest on long-term debt are recognized as liabilities when incurred. The accrual basis of accounting is utilized by all proprietary funds and the Pension Trust fund. A more detailed explanation of the basis of accounting for various funds is included in the Notes to the Financial Statements, located in the Financial Section of this report.

CASH MANAGEMENT

The Divisions of Accounting and Revenue have undertaken an active cash management program to ensure the most efficient and profitable use of the City's cash resources. The City takes advantage of investment opportunities of all temporary idle funds. The cash available for investment as of June 30, 2006 was invested in the South Carolina Local Government Investment Pool, collateralized deposits, and repurchase agreements. The average yield on investments, except the Pension Trust Fund, during 2006 was slightly over 4%. This rate is due to low interest rates on investments throughout the fiscal year.

RISK MANAGEMENT

The City provides a comprehensive risk management program. This program has two main objectives. The first of these objectives is to ensure a safe environment for City employees and for members of the public who utilize services provided by the City. The second objective is to develop an effective accident prevention program, thereby reducing the costs of both accidents and insurance. The reduction in the number of accidents and incidents is vital since all insurance coverage as of October 1, 1990 is provided by participation in the state or municipal insurance groups, which are basically self-funded. The plans provide for certain types of excess coverage and the overall administration of the plans. The Notes to the Financial Statements contain additional information concerning the risk pools and coverage amounts.

PENSION PLANS

Employees of the City of North Myrtle Beach are covered by three pension plans. City police officers are covered by the South Carolina Officers Retirement System, which provides retirement, death and disability benefit allowances. General employees and firefighters are covered under a defined contribution plan administered by the Retirement Corporation with the International City Management Association. A second defined contribution plan with ICMA covers designated management personnel. The plan for general employees and firefighters was put in place as of July 1, 1994 to replace the terminated defined benefit plan known as the North Myrtle Beach Death, Disability and Retirement Plan.

Money Purchase Pension Plan #1, which includes general employees had total contributions of \$757,510 of which the employer contributed \$606,018 and the employees contributed \$151,492. The employer provides 8%, while the employee pays 2%. The plan had an ending net asset of \$10,238,018.

Money Purchase Pension Plan #2 includes the City Attorney at this time. Contributions to the plan are 12% employer and 12% employee. Employer contributions totaled \$9,946 and employee contributions were \$9,946. Year-end net assets for the plan were \$280,344.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Myrtle Beach, South Carolina for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2005. In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement requirements and we are submitting it to the GFOA to determine its eligibility for a certificate for Fiscal Year 2006.

ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the dedicated endeavors of the Accounting Division. We would like to express our appreciation to all staff members, especially Assistant Finance Director, Diane Shell; Accounting Supervisor, Fannie Holmes; and Administrative Assistant, Debra Brown, who have assisted and contributed to its preparation. Further appreciation is extended to the Mayor and City Council and City Manager for their encouragement, assistance, and approval. It is a real pleasure to work for a group of people who encourage and support the sound financial operation and reporting of the City.

Respectfully submitted,



Randy J. Wright, CPA, CPFO, CGFM
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Myrtle Beach
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



President

Executive Director

City of North Myrtle Beach, South Carolina

PRINCIPAL OFFICIALS

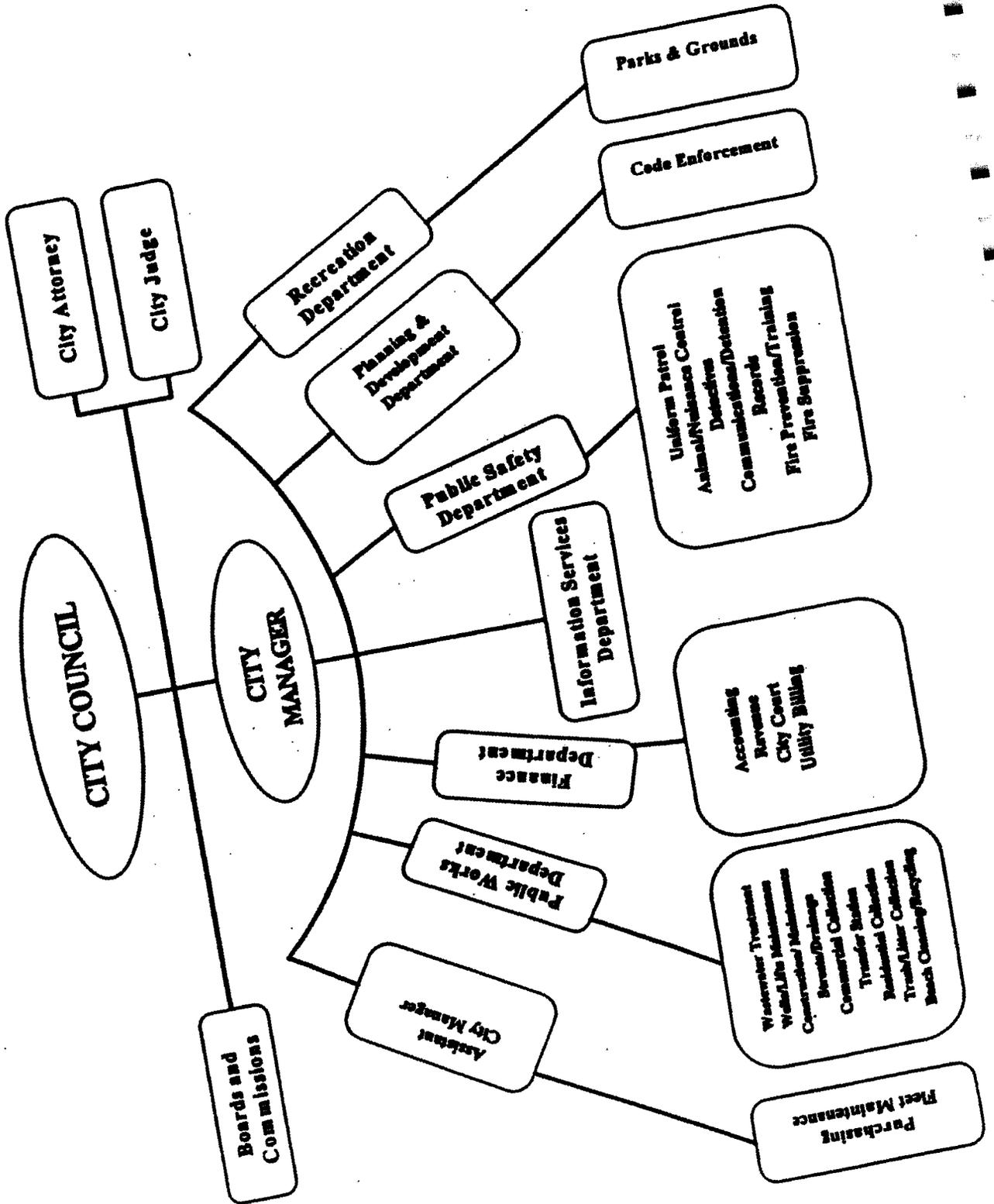
June 30, 2006

Elected

Mayor Marilyn B. Hatley
Councilmember, Cherry Grove Ward Doris Williams
Councilmember, Crescent Beach Ward Jay Baldwin
Councilmember, Ocean Drive Ward Terry White
Councilmember, Windy Hill Ward Greg Duckworth
Councilmember, At-Large Bob Cavanaugh
Councilmember, At-Large Hal Hoff

Appointed

City Manager John H. Smithson
Assistant City Manager Joel A. Davis
Finance Director Randy J. Wright
Information Services Director Patrick Wall, Jr.
Parks and Recreation Director Don E. Campbell, III
Planning and Development Director Douglas M. Maddock
City Engineer/Public Works Director Kevin D. Blayton
Public Safety Director William H. Bailey, Jr.



REPORT OF INDEPENDENT AUDITOR

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ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

A Professional Association Of

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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REPORT OF INDEPENDENT AUDITOR

The Honorable Mayor and Members of City Council
City of North Myrtle Beach, South Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of North Myrtle Beach, South Carolina (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic 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 City of North Myrtle Beach, South Carolina, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis and the Required Supplemental Information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

— CONTINUED —



My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements as listed in the table of contents as Other Financial Information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of North Myrtle Beach, South Carolina. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

I did not audit the introductory and statistical sections of this report, and accordingly, do not express an opinion or any other form of assurance on this information.


October 20, 2006
Columbia, South Carolina

**CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006**

This section of the City of North Myrtle Beach, South Carolina's (the "City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

Per the Government-Wide Statement of Net Assets, the City's total assets at year end June 30, 2006 were \$187.6 million and exceeded total liabilities by \$142.3 million. Of the total net assets at June 30, 2006, \$18.6 million were unrestricted and available to support short term operations of the City.

Per the Government-Wide Statement of Activities, the City's total net assets increased by \$12.7 million for the year ended June 30, 2006. The Governmental activities contributed \$5.8 million and the Business-type activities contributed the remainder of the net change in net assets of \$6.9 million, which was funded almost entirely by capital contributions received during the year.

Additionally, the City established the Stormwater Special Revenue and Debt Service Funds to more appropriately report the stormwater service fees and related bond debt service expenditures. The City is also moving towards completion of its Aquatic Center.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the City's basic financial statements. Those financial statements comprise three components: 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves. Typically, the MD&A contains comparative data to help the reader identify trends in financial activity of the government. The Letter of Transmittal and the Statistical Section of the Comprehensive Annual Financial Report (CAFR), of which this discussion is a component thereof, contains much of the data and analysis usually included in a MD&A and therefore it is not duplicated herein.

Government-Wide Financial Statements - The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Government-Wide Financial Statements (Continued)

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported on the accrual basis (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 (e.g., revenues receivable and earned but unused vacation leave).

Both of the Government-Wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type activities*). The Governmental activities of the City include general government, finance, public safety, public works, parks and recreation, planning and economic development, and support services. The Business-type activities of the City include enterprise operations for water and sewer utility, solid waste, and aquatic center.

The Government-Wide financial statements can be found immediately following the "Report of the Independent Auditor".

Fund Financial Statements - 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 City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as *Governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, and can be found in the section entitled "Required Supplementary Information".

The basic Governmental Fund financial statements can be found immediately following the "Government-Wide" financial statements.

Proprietary funds - *Enterprise funds* are used to report the same functions presented as *Business-type activities* in the Government-Wide financial statements. The City uses enterprise funds to account for its water and sewer utility, its solid waste and its aquatic center enterprises. Proprietary funds provide the same type of information as the Government-Wide financial statements, only in more detail. The basic Proprietary Fund financial statements can be found immediately following the "Governmental Fund" financial statements.

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.

Other Financial Information - In addition to the basic financial statements, the accompanying notes and the required supplementary information, this report also presents certain financial data of individual fund statements and schedules.

Government-Wide Financial Analysis

Below is a 'condensed' Statement of Net Assets at June 30, 2006 (with comparative amounts of June 30, 2005) which depicts the major components of the City's total (Governmental and Business-type) assets, liabilities and net assets (with amounts shown in thousands):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Cash and cash equivalents:						
Unrestricted	\$ 12,231	\$ 12,554	\$ 3,426	\$ 3,304	\$ 15,657	\$ 15,858
Restricted	655	706	21,228	19,089	21,883	19,795
Other current assets	5,199	3,317	(283)	907	4,916	4,224
Capital assets, net of accumulated depreciation	56,668	51,499	70,115	63,020	126,783	114,519
Deferred charges, net of accumulated amortization	—	—	18,356	19,244	18,356	19,244
Total assets	\$ 74,753	\$ 68,076	\$ 112,842	\$ 105,564	\$ 187,595	\$ 173,640
Liabilities:						
Current liabilities	\$ 4,728	\$ 4,055	\$ 10,038	\$ 8,453	\$ 14,766	\$ 12,508
Long term liabilities	10,142	9,986	20,328	21,532	30,470	31,518
Total liabilities	14,870	14,041	30,366	29,985	45,236	44,026
Net assets:						
Net invested in capital assets	47,153	39,974	60,973	56,752	108,126	96,726
Restricted	1,063	1,050	14,531	11,100	15,594	12,150
Unrestricted	11,667	13,011	6,972	7,727	18,639	20,738
Total net assets	\$ 59,883	\$ 54,035	\$ 82,476	\$ 75,579	\$ 142,359	\$ 129,614

Governmental activities – For 2006, current assets (consisting of cash, cash equivalents, receivables, amounts due from other governments, inventories and prepaid items, and restricted assets) totaled \$18.1 million, or 42% of the total. Non-current assets (consisting of capital assets and deferred charges, net of accumulated depreciation and amortization, respectively) totaled \$56.6 million 45% of the respective total. Current liabilities (consisting of payables and current portion of long-term debt) totaled \$4.7 million 32% of the respective total. Long-term (non-current) liabilities totaled \$10.1 million, or 33% of the respective total.

Business-type activities – For 2006, current assets (consisting of cash, cash equivalents, receivables, amounts due from other governments, inventories and prepaid items, and restricted assets) totaled \$24.3 million, or 58% of the respective total. Non-current assets (consisting of capital assets and deferred charges, net of accumulated depreciation and amortization, respectively) totaled \$88.5 million, or 62% of the respective total. Current liabilities (consisting of payables and current portion of long-term debt) totaled \$8.4 million, or 67% of the respective total. Long-term (non-current) liabilities totaled \$21.5 million, or 68% of the respective total.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, 2006 total assets exceeded total liabilities by \$142.4 million at the close of June 30, 2006 (or \$59.9 million for Governmental activities and \$82.5 million for Business-type activities.)

By far the largest portion (\$108.1 million, or 76%) of the City's 2006 total net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-Wide Financial Analysis (Continued)

The City's 2006 restricted net assets (totaling \$15.6 million or 11% of total net assets) consist of \$1.0 million in Governmental activities and \$14.5 million in Business-type activities, and represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$11.6 million Governmental activities and \$7.0 million Business-type activities, for a total of \$18.6 million, or 16% of total net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's components of changes in net assets for FY 2006 and FY 2005 are illustrated in the following table (with amounts shown in thousands):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue:						
Program Revenue:						
Charges for services	\$ 4,482	\$ 3,606	\$ 13,302	\$ 11,811	\$ 17,784	\$ 15,417
Operating grants and contributions	61	155	194	—	255	155
Capital grants and contributions	588	2,999	8,644	5,041	9,232	8,040
General revenue:						
Property taxes	7,440	6,883	—	—	7,440	6,883
State shared and other taxes	14,437	12,525	—	—	14,437	12,525
Investment earnings	677	902	929	327	1,606	1,229
Other	(65)	35	—	161	(65)	196
Total revenue	27,620	27,105	23,069	17,340	50,689	44,445
Expenses:						
General government	1,162	1,459	—	—	1,162	1,459
Finance	780	748	—	—	780	748
Public safety	9,363	8,871	—	—	9,363	8,871
Planning and development	1,465	1,316	—	—	1,465	1,316
Public works	1,815	2,736	—	—	1,815	2,736
Parks and recreation	2,595	2,403	—	—	2,595	2,403
Support services	571	475	—	—	571	475
Interest on general long-term debt	375	546	—	—	375	546
Depreciation (unallocated)	2,686	2,589	—	—	2,686	2,589
Water and Sewer Utility	—	—	12,478	11,430	12,478	11,430
Solid Waste	—	—	3,015	2,873	3,015	2,873
Aquatic Center	—	—	1,639	163	1,639	163
Total expenses	20,812	21,143	17,132	14,466	37,944	35,609
Increases in net assets before transfers	6,808	5,962	5,937	2,874	12,745	8,836
Transfers	(959)	(708)	959	708	—	—
Change in net assets	5,849	5,254	6,896	3,582	12,745	8,836
Net Assets - beginning of year	54,034	48,780	75,580	71,998	129,614	120,778
Net Assets - end of year	\$ 59,883	\$ 54,034	\$ 82,476	\$ 75,580	\$ 142,359	\$ 129,614

Of total net assets at June 30, 2006, (and June 30, 2005 respectively), \$59.9 million (and \$54.0 million) represents net assets of the City's Governmental activities, and \$82.4 million (and \$75.6 million) represents net assets of the City's Business-type activities. At the end of the current fiscal year, the City is able to report 'positive' changes in net assets, both for the Governmental and Business-type activities.

Government-Wide Financial Analysis (Continued)

Expenses and Program Revenues – Governmental Activities

Governmental expenses are funded by fees for services, grants and contributions and general revenues. The Statement of Activities details this activity for the City. The following chart summarizes that data.

(amounts shown in thousands)

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net Expenses</u>	<u>% Funded by Program Revenue</u>	<u>% Required to Funded by General Revenue</u>
General Govt.	\$ (1,162)	\$ 32	\$ (1,130)	3%	97%
Finance	(780)	—	(780)	—	100%
Public Safety	(9,363)	765	(8,598)	8%	92%
Planning and development	(1,465)	1,644	179	112%	—
Public Works	(1,815)	2,473	658	136%	—
Parks and Recreation	(2,595)	218	(2,377)	8%	92%
Support Services	(571)	—	(571)	—	100%
Debt service interest	(375)	—	(375)	—	100%
Depreciation unallocated	(2,686)	—	(2,686)	—	100%
Totals	\$ (20,812)	\$ 5,132	\$ (15,680)	25%	75%

The City does not allocate its depreciation to the City's functions, and thus the expense is shown as a single line item in the Statement of Activities.

General Revenues by Source – Governmental Activities

Property taxes	\$ 7,400,462
Accommodations/hospitality taxes	6,246,427
State shared taxes	955,045
Licenses and franchise taxes	7,234,776
Investment earnings	676,842
Other revenues	(65,101)
Total general revenue before transfers	\$ 22,488,451

General Fund Budgetary Highlights

The General Fund final budgeted revenues of \$18.4 million and achieved revenues of \$19.0 million or \$642,409 over budget. Expenditures budgeted for the General Fund were \$21.9 Million with actual expenditures of \$21.3 million, before other financing sources and uses. The City budgeted a deficiency of estimated revenues over its appropriated expenditures before other financing sources and uses totaling \$3.5 million, with the actual deficiency equaling \$2.3 million. The General Fund's budget also included net transfers to/from other funds netting to \$100,735, but actual transfers to/from other funds and an increase in capital lease obligation netted \$5.1 million which resulted in an actual net change in fund balance of \$2.8 million.

Government-Wide Financial Analysis (Continued)

Expenses and Program Revenues – Business-type Activities

The City operates three enterprises that comprise its Business-type activities - Water and Sewer Utility, Solid Waste and Aquatic Center. The Water and Sewer Utility has been in operation for a number of years, and suffered an operating loss of \$1,944,484 for the year ended June 30, 2006. However, the Utility was able to achieve an increase on overall net assets for the same time period of \$6.8 million primarily due to recognizing capital contributions of \$8.4 million as non-operating revenue.

The City's Solid Waste Enterprise Fund incurred a net operating loss of \$368,464 for the year ended June 30, 2006. After a transfer from the Accommodations Tax Fund of \$193,814, change net assets totaled a deficit of \$113,398.

The City's Aquatic Center Enterprise Fund incurred a net operating loss of \$840,093. After recognizing \$240,510 in net non-operating revenue and a \$765,576 transfer from the Hospitality Tax Fund, the change in net assets of the Aquatic Center totaled \$165,993 and resulted in an ending net assets balance of \$1,364,336.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for its Governmental and Business-type activities as of June 30, 2006, amounts to \$126.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, and roads.

Additional information on the City's capital assets can be found in *Note 6* of this report.

Long-Term Debt - At the end of the current fiscal year, the City had total bonded debt outstanding of \$34.2 million. Of this amount, \$3.3 million comprises debt backed by the full faith and credit of the governments, \$6.3 million backed by certain governmental fees and taxes associated with Stormwater, and \$21.5 million is enterprise revenue backed bond debt, contract and note payables.

Additional information on the City's long-term debt can be found in *Note 7* of this report.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of North Myrtle Beach, South Carolina 29582.

AUDITED BASIC FINANCIAL STATEMENTS

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,449,789	\$ 3,425,902	\$ 9,875,691
Equity in pooled cash and cash equivalents	5,781,390	—	5,781,390
Receivables, net	1,442,668	1,813,532	3,256,200
Due from other governments	747,825	—	747,825
Internal balances, net	2,721,354	(2,721,354)	—
Inventories and prepaid items	168,108	346,723	514,831
Restricted assets:			
Cash and cash equivalents	117,737	8,511,007	8,628,744
Equity in pooled cash and cash equivalents	655,045	12,598,893	13,253,938
Deposits with other governments	—	396,822	396,822
Total current assets	18,083,916	24,371,525	42,455,441
Non-currents assets:			
Capital assets, net of depreciation	46,471,866	66,842,017	113,313,883
Capital assets not subject to depreciation	10,196,596	3,272,857	13,469,453
Deferred charges, net	—	18,355,989	18,355,989
Total Assets	\$ 74,752,378	\$ 112,842,388	\$ 187,594,766
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 1,207,083	\$ 843,230	\$ 2,050,313
Accrued payroll and related taxes	228,051	95,608	323,659
Accrued compensated absences – current portion	61,756	210,318	272,074
Retainage payables	469,502	—	469,502
Insurance claims payable	35,647	69,415	105,062
Accrued interest payable	75,703	164,341	240,044
Bonds, contracts and notes payable – current portion	1,950,448	968,070	2,918,518
Deferred revenue	—	239,713	239,713
Liabilities payable from restricted assets	700,049	7,447,276	8,147,325
Total current liabilities	4,728,239	10,037,971	14,766,210
Long-term (non-current) liabilities:			
General obligation bonds payable	2,588,002	—	2,588,002
Revenue bonds payable	5,341,462	490,000	5,831,462
Capital lease payable	1,610,287	—	1,610,287
Accrued compensated absences	601,165	—	601,165
Contracts payable	—	12,131,667	12,131,667
Note payable	—	7,706,906	7,706,906
Total long-term liabilities	10,140,916	20,328,573	30,469,489
Total liabilities	14,869,155	30,366,544	45,235,699
Net assets:			
Invested in capital assets, net of related debt	47,153,263	60,972,531	108,125,794
Restricted for :			
Public safety	181,823	—	181,823
Shore protection	881,417	—	881,417
Debt service	—	717,131	717,131
Future capacity	—	13,813,674	13,813,674
Unrestricted	11,666,720	6,972,508	18,639,228
Total net assets	59,883,223	82,475,844	142,359,067
Total Liabilities and Net Assets	\$ 74,752,378	\$ 112,842,388	\$ 187,594,766

See accompanying notes to financial statements.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Functions and Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees for Services	Operating Grants and Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ (1,161,528)	\$ 10,641	\$ 20,404	\$ —	\$ (1,130,483)	\$ —	\$ (1,130,483)
Finance	(780,200)	—	—	—	(780,200)	—	(780,200)
Public safety	(9,363,496)	765,829	—	—	(8,597,667)	—	(8,597,667)
Planning and development	(1,464,816)	1,643,855	—	—	179,039	—	179,039
Public works	(1,815,327)	1,885,441	—	587,704	657,818	—	657,818
Parks and recreation	(2,594,537)	176,697	41,000	—	(2,376,840)	—	(2,376,840)
Support services	(571,110)	—	—	—	(571,110)	—	(571,110)
Debt service - interest	(375,076)	—	—	—	(375,076)	—	(375,076)
Depreciation (unallocated)	(2,685,978)	—	—	—	(2,685,978)	—	(2,685,978)
Total governmental activities	(20,812,068)	4,482,463	61,404	587,704	(15,680,497)	—	(15,680,497)
Business-type Activities:							
Water and sewer utility	(12,478,180)	10,022,251	8,597	8,396,356	—	5,949,024	5,949,024
Solid waste	(3,015,221)	2,646,757	61,252	—	—	(307,212)	(307,212)
Aquatic center	(1,638,962)	632,967	124,176	247,782	—	(634,037)	(634,037)
Total business-type activities	(17,132,363)	13,301,975	194,025	8,644,138	—	5,007,775	5,007,775
Total functions and programs	\$ (37,944,431)	\$ 17,784,438	\$ 255,429	\$ 9,231,842	(15,680,497)	5,007,775	(10,672,722)
General Revenue and Transfers							
General Revenue:							
Property taxes					7,440,462	—	7,440,462
Accommodations and hospitality taxes					6,246,427	—	6,246,427
State shared taxes					955,045	—	955,045
Business licenses and franchise taxes					7,234,776	—	7,234,776
Unrestricted investment earnings					676,842	928,723	1,605,565
Miscellaneous					(65,101)	—	(65,101)
Transfers:							
Transfers in/(out)					(959,390)	959,390	—
Total general revenue and transfers					21,529,061	1,888,113	23,417,174
Changes in net assets					5,848,564	6,895,888	12,744,452
Net Assets - beginning of year					54,034,659	75,579,956	129,614,615
Net Assets - end of year					\$ 59,883,223	\$ 82,475,844	\$ 142,359,067

See accompanying notes to financial statements.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Stormwater Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,424,330	\$ 25,459	\$ —	\$ 6,449,789
Equity in pooled cash and cash equivalents	2,620,976	1,200,827	1,959,587	5,781,390
Receivables, net	766,298	65,903	610,467	1,442,668
Due from other funds	3,946,088	—	—	3,946,088
Due from other governments	32,305	—	715,520	747,825
Inventories and prepaid items	168,108	—	—	168,108
Restricted assets:				
Cash and cash equivalents	117,737	—	—	117,737
Equity in pooled cash and cash equivalents	655,045	—	—	655,045
Total assets	\$ 14,730,887	\$ 1,292,189	\$ 3,285,574	\$ 19,308,650
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 519,334	\$ 183,262	\$ 504,487	\$ 1,207,083
Accrued payroll and related taxes	228,051	—	—	228,051
Accrued compensated absences	61,756	—	—	61,756
Medical claims payable	35,647	—	—	35,647
Due to other funds	—	—	1,224,734	1,224,734
Retainage payable	4,543	389,647	75,312	469,502
Payable from restricted assets	700,049	—	—	700,049
Total liabilities	1,549,380	572,909	1,804,533	3,926,822
Fund balances:				
Reserved for:				
Inventories and prepaid items	168,108	—	—	168,108
Grants	32,305	—	—	32,305
Victims assistance	82,990	—	—	82,990
Drug enforcement	98,833	—	—	98,833
Shore Protection Project	—	—	881,417	881,417
J. Causey Memorial	2,295	—	—	2,295
Historical museum	331	—	—	331
Unreserved/designated for:				
Contingencies	250,000	—	—	250,000
Area emergency recovery	142,500	—	—	142,500
Unreserved/undesignated reported in:				
General Fund	12,404,145	—	—	12,404,145
Special Revenue Funds	—	719,280	505,661	1,224,941
Capital Projects Funds	—	—	93,963	93,963
Total fund balances	13,181,507	719,280	1,481,041	15,381,828
Total liabilities and fund balances	\$ 14,730,887	\$ 1,292,189	\$ 3,285,574	

Reconciliation to amounts reported for governmental activities in the Statement of Net Assets (see Note 15):

Capital assets used in governmental activities are not financial resources and therefore are not reported in these funds. 56,668,462

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in these funds. (12,167,067)

Net Assets, end of year - Governmental Activities \$ 59,883,223

See accompanying notes to financial statements.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	General Fund	Stormwater Fund	Other Governmental Funds	Total Governmental Funds
Revenue				
Property taxes:				
Current property taxes	\$ 7,504,632	\$ —	\$ —	\$ 7,504,632
Delinquent property taxes	145,756	—	—	145,756
Licenses and permits	8,878,631	—	—	8,878,631
Fines and forfeitures	667,589	—	—	667,589
Use of money and property	439,653	115,021	191,281	745,955
Unrestricted intergovernmental	955,045	—	—	955,045
Restricted intergovernmental	61,404	—	6,834,131	6,895,535
Sales and service charges	338,502	1,596,184	167,220	2,101,906
Miscellaneous	13,474	—	—	13,474
Total revenue	<u>19,004,686</u>	<u>1,711,205</u>	<u>7,192,632</u>	<u>27,908,523</u>
Expenditures				
Current:				
General government administration	1,031,253	—	—	1,031,253
Finance	780,200	—	—	780,200
Public safety	9,363,496	—	—	9,363,496
Planning/development	1,464,816	—	—	1,464,816
Public works	1,424,100	2,350,033	2,125,669	5,899,802
Parks and recreation	1,494,422	—	1,100,115	2,594,537
Support services	571,110	—	—	571,110
Debt service	1,328,641	—	1,045,000	2,373,641
Capital outlay	3,849,922	—	—	3,849,922
Total expenditures	<u>21,307,960</u>	<u>2,350,033</u>	<u>4,270,784</u>	<u>27,928,777</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(2,303,274)</u>	<u>(638,828)</u>	<u>2,921,848</u>	<u>(20,254)</u>
Other Financing Sources (Uses)				
Capital lease obligation	1,975,000	—	—	1,975,000
Transfers in	3,980,758	—	1,928,580	5,909,338
Transfers (out)	(883,580)	(1,045,000)	(4,940,148)	(6,868,728)
Total other financing sources (uses)	<u>5,072,178</u>	<u>(1,045,000)</u>	<u>(3,011,568)</u>	<u>1,015,610</u>
Net change in fund balances	2,768,904	(1,683,828)	(89,720)	995,356
Fund balances, beginning of year	10,412,603	2,403,108	1,570,761	14,386,472
Fund balances, end of year	<u>\$13,181,507</u>	<u>\$ 719,280</u>	<u>\$ 1,481,041</u>	<u>\$ 15,381,828</u>

— CONTINUED —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

— CONTINUED —

**Reconciliation to amounts reported for governmental activities in the
Statement of Activities (see Note 15):**

Net change in fund balances – total governmental funds	\$ 995,356
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,248,419
Revenues in the Statement of Activities that do not provide current financial resources are reported as revenues in these funds.	(209,926)
Some expenses reported in Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in these funds.	(220,046)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>34,761</u>
Change in net assets - governmental activities	<u>\$ 5,848,564</u>

See accompanying notes to financial statements.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

BALANCE SHEET
PROPRIETARY FUNDS

JUNE 30, 2006

	Business-type Activities – Enterprise funds			
	Water and Sewer Utility	Solid Waste	Aquatic Center	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,771,963	\$ —	\$ 653,939	\$ 3,425,902
Receivables, net	1,716,058	96,430	1,044	1,813,532
Inventories	346,723	—	—	346,723
Due from other funds	—	—	125,912	125,912
Restricted assets:				
Cash and cash equivalents	8,511,007	—	—	8,511,007
Equity in pooled cash and cash equivalents	12,598,893	—	—	12,598,893
Deposits with other governments	396,822	—	—	396,822
Total current assets	<u>26,341,466</u>	<u>96,430</u>	<u>780,895</u>	<u>27,218,791</u>
Non-current assets:				
Capital assets, not subject to depreciation	3,272,857	—	—	3,272,857
Capital assets, subject to depreciation	55,732,543	960,915	10,148,559	66,842,017
Total capital assets, net	<u>59,005,400</u>	<u>960,915</u>	<u>10,148,559</u>	<u>70,114,874</u>
Deferred charges, net	18,295,858	—	60,131	18,355,989
Total assets	<u>\$ 103,642,724</u>	<u>\$ 1,057,345</u>	<u>\$ 10,989,585</u>	<u>\$ 115,689,654</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 737,666	\$ 63,608	\$ 41,956	\$ 843,230
Accrued payroll and related taxes	51,413	25,403	18,792	95,608
Accrued compensated absences	123,477	75,045	11,796	210,318
Insurance claims payable, net	64,554	3,388	1,473	69,415
Due to other funds	685,647	1,031,084	1,130,535	2,847,266
Accrued interest payable	—	—	164,341	164,341
Contracts and note payable – current portion	658,333	—	309,737	968,070
Deferred revenue	—	—	239,713	239,713
Liabilities payable from restricted assets	7,447,276	—	—	7,447,276
Total current liabilities	<u>9,768,366</u>	<u>1,198,528</u>	<u>1,918,343</u>	<u>12,885,237</u>
Long-term (non-current) liabilities:				
Revenue bonds payable	490,000	—	—	490,000
Contracts payable	12,131,667	—	—	12,131,667
Note payable	—	—	7,706,906	7,706,906
Total long-term liabilities	<u>12,621,667</u>	<u>—</u>	<u>7,706,906</u>	<u>20,328,573</u>
Total liabilities	<u>22,390,033</u>	<u>1,198,528</u>	<u>9,625,249</u>	<u>33,213,810</u>
Net assets:				
Invested in capital assets, net of related debt	58,044,041	960,915	1,967,575	60,972,531
Restricted for debt, capacity, and deposits (see Note 10)	14,530,805	—	—	14,530,805
Unrestricted (deficit)	8,677,845	(1,102,098)	(603,239)	6,972,508
Total net assets	<u>81,252,691</u>	<u>(141,183)</u>	<u>1,364,336</u>	<u>82,475,844</u>
Total liabilities and net assets	<u>\$ 103,642,724</u>	<u>\$ 1,057,345</u>	<u>\$ 10,989,585</u>	<u>\$ 115,689,654</u>

See accompanying notes to financial statements.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2006

	Business-type Activities – Enterprise Funds			Totals
	Water and Sewer Utility	Solid Waste	Aquatic Center	
Operating Revenue				
Sales and service charges	\$ 9,833,455	\$ 2,646,757	\$ 631,092	\$ 13,111,304
Total operating revenue	<u>9,833,455</u>	<u>2,646,757</u>	<u>631,092</u>	<u>13,111,304</u>
Operating Expenses				
General government administration	1,290,036	250,622	149,018	1,689,676
Finance	351,088	28,859	19,240	399,187
Public safety	49,084	—	—	49,084
Planning/development	39,551	—	—	39,551
Public works	6,498,835	2,374,541	—	8,873,376
Parks and recreation	—	—	1,087,464	1,087,464
Support services	377,624	93,345	31,172	502,141
Depreciation and amortization	3,171,721	267,854	184,291	3,623,866
Total operating expenses	<u>11,777,939</u>	<u>3,015,221</u>	<u>1,471,185</u>	<u>16,264,345</u>
Operating income (loss)	<u>(1,944,484)</u>	<u>(368,464)</u>	<u>(840,093)</u>	<u>(3,153,041)</u>
Non-Operating Revenue (Expenses)				
Interest earned on investments	894,269	—	34,454	928,723
Interest expense	(689,915)	—	(164,341)	(854,256)
Amortization of debt issuance costs	(5,210)	—	(3,436)	(8,646)
Bond agent fees	(5,116)	—	—	(5,116)
Tower rental and other	188,796	—	1,875	190,671
Restricted intergovernmental	8,597	61,252	124,176	194,025
Donation/fundraisers	—	—	247,782	247,782
Total non-operating revenue (expenses)	<u>391,421</u>	<u>61,252</u>	<u>240,510</u>	<u>693,183</u>
Income (loss) before contributions and transfers	<u>(1,553,063)</u>	<u>(307,212)</u>	<u>(599,583)</u>	<u>(2,459,858)</u>
Capital Contributions	8,396,356	—	—	8,396,356
Transfers – in (out)	—	193,814	765,576	959,390
Change in net assets	6,843,293	(113,398)	165,993	6,895,888
Net assets, beginning of year	<u>74,409,398</u>	<u>(27,785)</u>	<u>1,198,343</u>	<u>75,579,956</u>
Net assets, end of year	<u>\$ 81,252,691</u>	<u>\$ (141,183)</u>	<u>\$ 1,364,336</u>	<u>\$ 82,475,844</u>

See accompanying notes to financial statements.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2006

	Business-type Activities – Enterprise Fund			Totals
	Water and Sewer Utility	Solid Waste	Aquatic Center	
Cash flows from operating activities				
Cash received from:				
User fees	\$ 8,854,504	\$ 2,651,421	\$ —	\$ 11,505,925
Tap fees	445,732	—	—	445,732
Service and miscellaneous charges	184,710	17,925	820,233	1,022,868
Cash paid to (for):				
Employee salaries and related costs	(2,601,399)	(1,271,562)	(604,744)	(4,477,705)
Water and sewer system costs	(3,836,440)	—	—	(3,836,440)
Collection services	—	(950,967)	—	(950,967)
Aquatic Center operations	—	—	(450,978)	(450,978)
Other supplies and miscellaneous costs	(1,985,433)	(502,217)	(157,475)	(2,645,125)
Net cash provided by (used in) operating activities	1,061,674	(55,400)	(392,964)	613,310
Cash flows from non-capital and related financing activities				
Interfund borrowing/payments	685,647	41,393	934,156	1,661,196
Decrease of deposits held with other governments	(101,276)	—	—	(101,276)
Intergovernmental grants	8,597	79,252	124,176	212,025
Local accommodation/hospitality taxes	—	193,814	765,576	959,390
Donations/fundraisers	—	—	247,782	247,782
Tower rental and other	188,796	—	1,875	190,671
Net cash provided by non-capital and related financing activities	781,764	314,459	2,073,565	3,169,788
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(3,865,733)	(269,519)	(3,902,538)	(8,037,790)
Principal paid on bonds and contracts	(866,428)	—	(297,538)	(1,163,966)
Interest and bond agent fees on long-term debt	(696,505)	—	(214,802)	(911,307)
Capital contributions – impact fee and other cash contributions	7,544,500	—	—	7,544,500
Net cash provided by (used in) capital and related financing activities	2,115,834	(269,519)	(4,414,878)	(2,568,563)

— CONTINUED —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

— CONTINUED —

	Business-type Activities – Enterprise Fund			Totals
	Water and Sewer Utility	Solid Waste	Aquatic Center	
Cash flows from investing activities				
Interest received on investments	894,269	—	34,454	928,723
Net cash provided by investing activities	894,269	—	34,454	928,723
Net increase (decrease) in cash and cash equivalents	4,853,541	(10,460)	(2,699,823)	2,143,258
Cash and cash equivalents, beginning of year (of which \$19,088,896 is restricted)	19,028,322	10,460	3,353,762	22,392,544
Cash and cash equivalents, end of year (of which \$21,109,900 is restricted)	<u>\$ 23,881,863</u>	<u>\$ —</u>	<u>\$ 653,939</u>	<u>\$ 24,535,802</u>
Reconciliation of operating income (loss) to net cash from operating activities				
Operating income (loss)	\$ (1,944,484)	\$ (368,464)	\$ (840,093)	\$ (3,153,041)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	3,171,721	267,854	184,291	3,623,866
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(501,586)	22,589	(1,044)	(480,041)
Increase (decrease) in accounts and other payables	185,586	7,180	62,052	254,818
(Increase) decrease in inventory	(26,131)	—	—	(26,131)
Increase (decrease) in accrued liabilities	23,491	15,441	11,645	50,577
Increase (decrease) in deferred revenue	153,077	—	190,185	343,262
Net cash provided by (used in) operating activities	<u>\$ 1,061,674</u>	<u>\$ (55,400)</u>	<u>\$ (392,964)</u>	<u>\$ 613,310</u>
Supplemental disclosure of non-cash capital and related financing activities				
System contributions by developers	<u>\$ 2,614,308</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,614,308</u>
Amortization of bond issue costs and cost of purchased water capacity	<u>\$ 884,381</u>	<u>\$ —</u>	<u>\$ 3,436</u>	<u>\$ 887,817</u>

See accompanying notes to financial statements.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS
FUDUCIARY FUNDS

JUNE 30, 2006

	<u>Pension Trust Funds</u>	<u>Agency Fund Firemen's Fund</u>
Assets		
Cash and cash equivalents	\$ —	\$ 27,637
Cash and temporary investments	10,518,362	—
Receivables - Participant loans	515,175	—
Total assets	<u>\$ 11,033,537</u>	<u>\$ 27,637</u>
Liabilities		
Due to Firemen's Association	\$ —	\$ 27,637
Total liabilities	<u>—</u>	<u>\$ 27,637</u>
Net Assets		
Held in trust for employee's pension benefits	<u>\$ 11,033,537</u>	

See accompanying notes to financial statements.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FUDUCIARY FUNDS

YEAR ENDED JUNE 30, 2006

	Pension Trust Funds
Additions	
Employer contributions	\$ 615,964
Employee (member) contributions	161,438
Investment income	714,140
Non-vested rollover	37,466
Total additions	1,529,008
Deductions	
Benefit payments and loan issuance costs	692,303
Trustee fees	3,106
Total deductions	695,409
Change in net assets	833,599
Net assets, beginning of year	10,199,938
Net assets, end of year	\$ 11,033,537

See accompanying notes to financial statements.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

1. **Summary of Significant Accounting Policies**

A. Reporting Entity

The City of North Myrtle Beach, South Carolina was incorporated on May 7, 1968, and adopted a "Home Rule Charter" on February 13, 1976. The City operates under a "Council-Manager" form of government.

The financial statements of the City of North Myrtle Beach, South Carolina (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City has compiled with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as amended. GASB Statement No. 34 established new financial reporting requirements for governments and caused to restructure much of the information that the City presented in the past. The more significant of the government's accounting policies are described below.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-Wide financial statements consists of a Statement of Net Assets and the Statement of Activities and reports information on all of the non-fiduciary activities of the government as a whole. Separate columns are used to distinguish between the City's governmental and business-type activities. Governmental activities are generally those activities financed by taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds. Business-type activities are those activities which are financed in whole or in part by user fees charged to external parties for goods and services. These activities are usually reported in Enterprise Funds. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. At June 30, 2006, there were no material component units of the City.

The Statement of Net Assets reports all financial and capital resources of the City and reports the difference between assets and liabilities as "net assets" not fund balance or equity. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues and reflects the "net (expenses) revenue" of the City's individual functions before applying 'general' revenues.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation (Continued)

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole, and thus reduce the net cost of the function to be financed from the government's general revenues. They 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, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. All revenues are 'general' revenues unless they are required to be reported as program revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-Wide financial statements. The focus of governmental and proprietary fund financial statements is on 'major' funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with 'non-major' funds being aggregated and displayed in a single column.

The City reports the following 'major' governmental funds: General Fund, Capital Improvement Fund, and Street Improvement Fund. The City reports the following 'major' proprietary funds: Water and sewer Utility Fund and Solid Waste Fund.

A combining schedule of non-major funds is presented separately as part of Other Financial Information. Because of the basis of accounting and reporting differences, summary reconciliations to the Government-Wide financial statements are presented at the end of each applicable fund financial statement.

Governmental Funds

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The Governmental Fund category includes the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than sources for major capital projects) that are legally restricted to expenditures for specified purposes. The City's Special Revenue Funds consists of the Accommodations (2%) Tax Fund, Local Accommodations (1.5%) Tax Fund, Hospitality (1%) Fee Fund and the Stormwater Fund.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation (Continued)

Debt Service Fund - Debt Service Funds account for the accumulation of financial resources for the payment of interest and principal on certain general long-term debt of the City, other than debt service payments financed by proprietary fund types.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by the proprietary funds). The City utilizes the following individual Capital Projects Funds: Capital Improvement Fund, Street Improvement Fund and Beach Renourishment Fund.

Proprietary Funds

Proprietary fund reporting primarily focuses on the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. The proprietary fund category includes the Enterprise Fund.

Enterprise Funds - 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 City uses the Water and Sewer Utility Fund to account for all financial resources associated with furnishing water and sewer service to domestic, business and industrial users, the Solid Waste Fund to account for all revenues and expenses related to the City's solid waste activities, and the Aquatic Center Fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets, and is used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The Fiduciary Fund category includes pension trust funds and agency funds.

Pension Trust Funds

A Pension Trust Fund is a fund held by the City in a trustee capacity for retirement plan members, and used to account for the accumulation of assets for the purpose of paying benefits when they become due in accordance with the terms of the plan. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is fundamental. The City maintains two pension trust funds – see Note 11.

Agency Funds

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

Under GASB #34, the Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the budget year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

As a general rule, the effect of interfund activity (i.e. advances or short-term loans) has been eliminated from the Government-Wide financial statements, except for amounts due between the City's governmental activities and business-type activities.

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

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets. Revenues are considered to be available when they are collected within the current period or soon enough (usually 60 days) thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary fund statements reflect net assets and revenues, expenses and changes in net assets using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned and expenses are recognized when incurred.

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. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

C. Measurement Focus and Basis of Accounting (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the Government-Wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, in its accounting and reporting practices for its proprietary fund operations.

The Statement of Fiduciary Net Assets includes information about the assets, liabilities, and net assets for each of the City's fiduciary fund types on the basis of accounting similar to proprietary-type funds, except for agency funds. The Statement of Changes in Fiduciary Net Assets presents information about the additions, deductions, and net increases (or decreases) for the year in net assets for each fiduciary fund type.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results could differ from those estimates.

D. Budgets and Budgetary Accounting

The City follows the procedures described below in establishing the budgetary data reflected in the financial statements:

- By May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures (expenses) and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- By June 30, the budget is legally enacted through passage of an ordinance to set the tax levy (mileage) for the fiscal year.
- The City Manager is legally authorized by ordinance to transfer amounts within and between funds; however, any revisions that alter the total expenditures, other than transfers, of the approved initial budget must be approved by the City Council.
- The City employs formal budgetary integration as a management control device during the year and legally adopts a budget for the General Fund, Special Revenue Fund, the Capital Projects Funds and the Enterprise Funds. The budgets are adopted on a basis consistent with generally accepted accounting principles. Formal budgetary integration is not employed for the Trust and Agency funds.
- Appropriations lapse at the end of each fiscal year.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

D. Budgets and Budgetary Accounting (Continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not used by the City and, accordingly, is not a part of budgetary integration.

Budgeted amounts presented in the financial statements are as originally adopted, or as amended by City Council as of June 30, 2006.

Budget Deficits and Fund Balances

For the year ended June 30, 2006, 'final' budgeted expenditures exceeded estimated revenues of the General Fund by \$1,494,100. Additionally, budgeted expenditures exceeded estimated revenues of the City's Accommodations (2%) Tax Fund by \$95,000; Stormwater Special Revenue Fund by \$3,200,000; and Street Improvement Fund by \$199,325. These deficits were funded (if necessary) by unreserved and applicable reserved fund balances and additional unbudgeted revenue.

The Enterprise Funds of the Water and Sewer Utility Fund, the Solid Waste Fund, and the Aquatic Center Fund operated under budgets totaling over \$14.4 million, \$3.0 million, and \$2.2 million, respectively.

At June 30, 2006, deficit fund balances resulted in the following: Capital Improvement Capital Projects Fund by \$614,267 and Solid Waste Enterprise Fund by \$141,183. These deficits are expected to be resolved from either future appropriations, or grants.

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses

Cash and Cash Equivalents, and Investments

The City pools the cash of all funds into a central depository bank account except where legal restrictions prohibit the commingling of funds. Temporary investments are then made from the account in collaborative form in order to maximize the return on invested funds. Therefore, in the "Statement of Cash Flows", all Water and Sewer Utility Fund cash and investments (including restricted assets other than deposits with other agencies) are essentially demand deposits and are considered cash and cash equivalents. Each individual fund's equity in the pooled cash and temporary investments is shown in that fund. Allocation of interest earned is made to each fund based on pro rata equity.

Investments of the Money Purchase Retirement Plans managed by the ICMA Retirement Corporation, a third party administrator, consists of a combination of mutual funds, and money market accounts as selected by the participating employees. All investments are carried at fair value.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated net of their allowance for uncollectible accounts.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (Continued)

Inventories

Inventories are valued at weighted average cost and consists of expendable supplies held for consumption. Accordingly, the cost is recorded as an asset at the time individual inventory items are purchased and then expended as the supplies are consumed (“consumption method”). Reported inventories in the Governmental Funds are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Deferred Charges

Bond issuance costs are deferred and amortized over the life of the related bond issue using the straight-line method. Additionally, the cost of purchased water capacity incurred by the Water and Sewer Utility Fund is being amortized over the longer of the life of the related Water Sale and Purchase Agreement or the useful asset using the straight-line method.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions result in loans or advances between individual funds. The lending fund reports amounts ‘due from other funds’, while the borrowing fund reports amounts ‘due to other funds’. These interfund receivables and payables are classified as “internal balances” on the government-wide Statement of Net Assets and have been eliminated. Amounts payable to the Governmental activities from the Business-type activities are reported as contra-assets in the Proprietary fund financial statements for consistency and clarity in presentation.

Restricted Assets

Restricted accounts include monies or other resources, the use of which is restricted by legal or contractual requirements. In the Water and Sewer Utility Enterprise Fund restricted assets arise from certain bond and contract ordinances.

Indirect Cost Allocations

The City records interdepartmental cost allocations designed to redistribute General Fund operating expenditures to other Governmental and Proprietary Fund Types. These allocations are based upon cost allocation plans prepared by the City’s Finance Department.

Capital Assets and Depreciation

Capital assets, which include land, buildings, improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the Government-Wide financial statements. Capital assets of the City that are not specifically related to activities reported in proprietary or fiduciary funds have been reported as assets in the governmental funds column of the Government-Wide financial statement. Capital assets are defined by the City as those assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (Continued)

Public domain (infrastructure) capital assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) have been capitalized using actual and estimated historical costs of major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements in fiscal years ending after June 30, 1980.

Depreciation of all exhaustible capital assets has been provided based on the estimated useful lives of the class of assets, or individual assets using the straight line method with service lives as follows:

Buildings – 15 to 40 years
Improvements – 10 to 30 years
Machinery and equipment – 3 to 20 years
Infrastructure – 30 years
Water and sewer systems – 10 to 60 years

Interest costs incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. During the year ended June 30, 2006, there were no material capitalized interest costs incurred.

Long-term Obligations

In the Government-Wide financial statements, and the Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Long-term debt represents unmatured principal of general obligation and revenue bond indebtedness, and outstanding portions due on long-term contracts. Other long-term obligations represent outstanding net present value portions due on capital lease obligations, and long-term portions of claims or judgments. Liabilities arising from interfund activities do not constitute general long-term liabilities.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as Other Financing Sources.

Compensated Absences (Accrued Vacation)

It is the City's policy to permit employees to accumulate earned but unused vacation leave. In the Government-Wide and Proprietary Fund financial statements, vacation pay is accrued when incurred and reported as a current and long-term liability. In the Governmental Funds, General Fund, Enterprise Fund – Water and Sewer Utility Fund and Solid Waste, vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability.

City employees are provided sick leave at the rate of ten working days per year. Employees are not allowed to accumulate sick leave days and any unused sick leave at termination will not be paid.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (Continued)

Net Assets and Fund Balances

In the Government-Wide financial statements, the difference between the City's total assets and total liabilities represents net assets. Net assets for both the governmental and proprietary fund types displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represents tentative management plans that are subject to change.

In accordance with these criteria, the City utilizes the following fund balance reserves:

RESERVED FOR INVENTORY AND PREPAID ITEMS - To indicate that an amount equal to the inventory and prepaid items balances at year end is not available for appropriation or expenditure in the General Fund.

RESERVED FOR VICTIM'S ASSISTANCE-To indicate the balance at year end from the Victims' Assistance program required by law.

RESERVED IN CONJUNCTION WITH REVENUE BONDS - To segregate a portion of retained earnings for resources legally restricted by revenue bond ordinances.

RESERVED FOR PENSION TRUST FUNDS - To restrict the use of all resources contributed to or earned by the Pension Trust Funds.

RESERVED FOR SHORE PROTECTION PROJECT - A capital project account used to restrict the use of funds not available for appropriation for any other purpose.

Program and General Revenues

The City charges public fees for building permits and inspections, participation fees for certain recreational activities and stormwater fees. These fees as well as fines for traffic violations and grant revenues are recorded as program revenue in the Statement of Activities.

General revenues reported by the City include property taxes, state shared taxes, business licenses, hospitality fees (which are meal and hotel imposed taxes) and franchise fees (which are general revenue fees in lieu of business licensees).

The City has imposed a one-half (1/2%) percent local accommodations and hospitality tax, which purpose is restricted by State law, with City Council designating such receipts toward the City's Aquatic Center. Accordingly, these funds have been reported as non-operating revenue in the Aquatic Center Enterprise Fund.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (Continued)

Property Taxes

The City of North Myrtle Beach assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property of every description owned and used in the City, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the mileage rate associated with the levy is adopted each year as a part of the budget adoption process.

Real property and all personal property other than vehicles are assessed for property tax purposes as of December 31 of each year. The basis for value of taxable property within the City is taken from the records of the Horry County Auditor. Taxes are levied on January 1, billed in October, and are due by January 15 in the year following their levy. A penalty of 3% is added to the tax bill on January 16; with an additional 7% added on February 2; and an additional 5% to the tax bill on March 17.

New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Department of Transportation and payment is due before the end of the month of the scheduled renewal.

City property tax revenues are recognized for the budget period to which they apply when they become measurable and available. Delinquent and unpaid property taxes are reported as receivables, less amounts estimated to be uncollectible.

Comparative Data and Reclassifications

Comparative data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Deposits and Investments

Deposits

Custodial credit risk of deposits is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At June 30, 2006, the carrying amount of the City's cash deposits with financial institutions was \$2,673,110 and the financial institution's balances totaled \$3,593,201. Of this balance, \$372,925 was covered by federal depository insurance and the remaining balance was covered by collateral held by the financial institutions' trust departments in the City's name. At June 30, 2006, the City's deposits were not materially exposed to custodial credit risk.

Investments

Custodial credit risk of investments is the risk that, in the event of a bank failure or the failure of the counterparty, the City will not be able to recover the value of its investments. The City does not have an investment policy for custodial credit risk. At June 30, 2006, the City had the following investment types:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase agreements	\$ 5,171,114	On demand
Certificates of deposit	14,000,000	July, 2006
Mutual Funds	10,566,089	On demand
State of South Carolina Treasurer's Investment Pool	15,672,974	On demand
Total fair value	<u>\$ 45,410,177</u>	

At June 30, 2006, the City's investments were not materially exposed to custodial credit risk.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statute authorizes the City to invest in obligations of the United States and agencies thereof; general obligations of the State of South Carolina or any of its political units provided such obligations are rated as an "A" or better by Moody's Investors Service, Inc. and Standard and Poor's Corporation or their respective successors; interest bearing accounts in savings and loan associations to the extent that the same are insured by an agency of the Federal government; certificates of deposit where the certificates are collaterally secured by securities of the type described above, 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 United States Government; or deposit accounts with banking institutions insured and secured in the same manner. The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. Statutes also allow the State Treasurer to assist local governments in investing funds. The State Treasurer also provides oversight for the State Treasurer's Investment Pool, of which, the fair value of the City's investments is the same as the value of the pooled shares. The City is under no contractual agreements which restrict investment alternatives. The City has no investment policy that would further limit its investment choices.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Deposits and Investments (Continued)

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in repurchase agreements, bank certificates of deposit, mutual funds, and pooled with the State Treasurer's investments. The concentrations of these investments are 11%, 31%, 23% and 35% respectively, of the City's total investments.

A reconciliation of deposits and investments to cash and cash equivalents shown on the Government-wide and Fiduciary financial statements at June 30, 2006 are as follows:

Cash on hand	\$ 2,475
Carrying amount of cash deposits	2,673,110
Carrying amount of investments	<u>45,410,177</u>
Total	<u>\$ 48,085,762</u>
Government-wide Statement of Net Assets:	
Cash and cash equivalents	\$ 9,875,691
Equity in pooled cash and cash equivalents	5,781,390
Cash and cash equivalents-restricted	8,628,744
Equity in pooled cash and cash equivalents-restricted	13,253,938
Statement of Fiduciary Net Assets:	
Cash and cash equivalents – Agency Fund	27,637
Investments – Pension Trust Funds:	
Money Purchase Retirement Plan #1	10,238,018
Money Purchase Retirement Plan #2	<u>280,344</u>
Total	<u>\$ 48,085,762</u>

3. Receivables

Receivables at June 30, 2006, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 546,513	\$ —
Franchise fees	428,189	—
Solid waste user fees	—	96,430
Stormwater fees	65,903	—
Hospitality fees	610,467	—
Water and sewer accounts	—	1,718,262
Define Benefit Pension Trust Fund (terminated plan)	278,523	—
Other	5,931	1,044
Gross receivables	<u>1,935,526</u>	<u>1,815,736</u>
Less: allowance for uncollectibles	<u>(492,858)</u>	<u>(2,204)</u>
Net total receivables	<u>\$ 1,442,668</u>	<u>\$ 1,813,532</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

4. Due To/From Other Funds

In the Governmental and Proprietary Fund financial statements, short-term interfund receivables and payables at June 30, 2006, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,946,088	\$ —
Special Revenue Fund:		
Local Accommodations Tax Fund	—	377,808
Hospitality Fees Fund	—	232,659
Capital Projects Funds:		
Capital Improvement Fund	—	614,267
Enterprise Fund:		
Water and Sewer Utility Fund	—	685,647
Solid Waste Enterprise Fund	—	1,031,084
Aquatic Center Fund	125,912	1,130,535
	<u>\$ 4,072,000</u>	<u>\$ 4,072,000</u>

Net internal balances between Governmental and Business-type activities equaled \$2,721,354, and resulted from short-term loans between individual funds. Transfers of monies in/out of Governmental and Business-type activities equaled \$959,390 and resulted in budgeted amounts being moved between the funds.

5. Due To/From Other Governments

The amounts due from other governmental agencies include the following:

	<u>Governmental Activities</u>
<u>Due from other governments:</u>	
General Fund	\$ 32,305
Special Revenue Fund:	
Accommodations Tax Fund	715,520
	<u>\$ 747,825</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Capital Assets

A summary of the changes in the City's capital assets during the year ended June 30, 2006, are as follows:

Governmental Activities:

	Balance June 30, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
<u>Capital assets not being depreciated:</u>					
Land	\$ 3,214,285	\$ 803,322	\$ —	\$ —	\$ 4,017,607
Construction in progress	3,807,945	4,070,270	—	(1,699,226)	6,178,989
Total capital assets not being depreciated	7,022,230	4,873,592	—	(1,699,226)	10,196,596
<u>Capital assets being depreciated:</u>					
Buildings	16,320,847	—	—	—	16,320,847
Improvements	3,412,247	57,031	—	—	3,469,278
Machinery and equipment	9,388,565	3,003,774	(1,159,383)	—	11,232,956
Infrastructure	32,784,865	—	—	1,699,226	34,484,091
Total capital assets being depreciated	61,906,524	3,060,805	(1,159,383)	1,699,226	65,507,172
<u>Less, accumulated depreciation for:</u>					
Buildings	(3,879,764)	(460,007)	—	—	(4,339,771)
Improvements	(1,342,063)	(173,590)	—	—	(1,515,653)
Machinery and equipment	(6,405,790)	(1,065,440)	1,080,808	—	(6,390,422)
Infrastructure	(5,802,519)	(986,941)	—	—	(6,789,460)
Total accumulated depreciation	(17,430,136)	(2,685,978)	1,080,808	—	(19,035,306)
Total capital assets being depreciated, net	44,476,388	374,827	(78,575)	1,699,226	46,471,866
Net capital assets - Governmental Activities	\$ 51,498,618	\$ 5,248,419	\$ (78,575)	\$ —	\$ 56,668,462

For the year ended June 30, 2006, depreciation expenses were charged to Governmental Activities (but was not allocated to its functions) totaling \$2,685,978.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Capital Assets (Continued)

Business-type Activities:

	Balance June 30, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Capital assets not being depreciated:					
Land	\$ 76,075	\$ 150,939	\$ —	\$ —	\$ 227,014
Construction in progress	8,017,590	4,851,816	—	(9,823,563)	3,045,843
Total capital assets not being depreciated	8,093,665	5,002,755	—	(9,823,563)	3,272,857
Capital assets being depreciated:					
Buildings	981,418	—	—	9,700,878	10,682,296
Water and Sewer Systems	70,525,269	3,155,765	—	122,685	73,803,719
Machinery and equipment	6,916,200	1,681,924	(245,712)	—	8,352,412
Total capital assets being depreciated	78,422,887	4,837,689	(245,712)	9,823,563	92,838,427
Less, accumulated depreciation:					
Buildings	(329,727)	(149,763)	—	—	(479,490)
Systems and improvements	(18,146,588)	(1,947,110)	—	—	(20,093,698)
Improvements	—	(589)	—	—	(589)
Machinery and equipment	(5,019,756)	(648,589)	245,712	—	(5,422,633)
Total accumulated depreciation	(23,496,071)	(2,746,051)	245,712	—	(25,996,410)
Total capital assets being depreciated, net	54,926,816	2,091,638	—	9,823,563	66,842,017
Net capital assets – Business-type Activities	\$ 63,020,481	\$ 7,094,393	\$ —	\$ —	\$ 70,114,874

A summary of Proprietary Fund Type capital assets at June 30, 2006, is as follows:

	Water and Sewer Utility	Solid Waste Fund	Aquatic Center Fund	Total
Land	\$ 227,014	\$ —	\$ —	\$ 227,014
Buildings	668,218	313,200	9,700,878	10,682,296
Water and sewer systems	73,780,438	—	—	73,780,438
Other improvements	—	21,842	1,439	23,281
Machinery and equipment	3,968,272	3,753,608	630,532	8,352,412
Construction in progress	3,045,843	—	—	3,045,843
Totals	81,689,785	4,088,650	10,332,849	96,111,284
Less, accumulated depreciation	(22,684,385)	(3,127,735)	(184,290)	(25,996,410)
Net capital assets – Proprietary Funds	\$ 59,005,400	\$ 960,915	\$ 10,148,559	\$ 70,114,874

For the year ended June 30, 2006, depreciation expenses were charged to Business-type activities totaling \$2,746,051 (Water and Sewer Utility - \$2,293,906, Solid Waste Fund - \$267,854, and Aquatic Center Fund - \$184,291 respectively).

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt

Long-term debt of the City at June 30, 2006, consisted of the following:

A. Governmental Activities

	Date of Issue	Interest Rate	Amount Outstanding	Final Maturity Dates
<u>General Obligation Bonds:</u>				
Beach Renourishment	12/01/95	4.00%-6.00%	\$ —	December 1, 2005
Municipal Building Refunding	10/17/00	5.31%	2,215,000	March 1, 2010
	12/30/02	3.88%	1,039,000	February 1, 2012
<u>Revenue Bonds:</u>				
Stormwater	7/08/04	3.77%	6,261,199	September 8, 2012
Total general obligation and revenue bonds			9,515,199	
Less, current portions (payable within one year)			(1,585,735)	
			<u>7,929,464</u>	
<u>Capital Lease:</u>				
Equipment lease '06	4/5/06	3.99%	1,975,000	April 5, 2011
Less, current portions (payable within one year)			(364,713)	
			<u>1,610,287</u>	
<u>Accrued Compensated Absences</u>				
Less, current portions (payable within one year)			662,921	
			(61,756)	
			<u>601,165</u>	
Total Long-Term Debt — Governmental Activities			<u>\$ 10,140,916</u>	

B. Business-type Activities

	Date of Issue	Interest Rate	Amount Outstanding	Final Maturity Dates
<u>Water and Sewer Enterprise Fund</u>				
<u>Revenue Bonds:</u>				
Water and Sewer System Refunding	11/16/01	3.93%	\$ 725,000	March 1, 2009
Less, current portions (payable within one year)			(235,000)	
			<u>490,000</u>	
<u>Contract payable:</u>				
Myrtle Beach Water Sale and Purchase Agreement Series	09/18/91	2.75%-5.50%	12,790,000	March 1, 2020
Less, current portions (payable within one year)			(658,333)	
			<u>12,131,667</u>	
<u>Aquatic Center Enterprise Fund</u>				
Aquatics and Fitness Center Note	11/13/03	4.10%	8,016,643	November 13, 2023
Less, current portions (payable within one year)			(309,737)	
			<u>7,706,906</u>	
<u>Accrued Compensated Absences</u>				
Less, current portions (payable within one year)			210,318	
			(210,318)	
			<u>—</u>	
Total Long-Term Debt — Business-type Activities			<u>\$ 20,328,573</u>	

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt (Continued)

C. Changes in Total Long-term Debt

Changes in the long-term debt of the City during the year ended June 30, 2006, were as follows:

	<u>Date of Issue</u>	<u>Outstanding 6/30/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding 6/30/06</u>
General Obligation Bonds:					
Beach Renourishment	12/01/95	\$ 500,000	\$ —	\$ (500,000)	\$ —
Municipal Building	10/17/00	2,690,000	—	(475,000)	2,215,000
Refunding	12/30/02	1,188,000	—	(149,000)	1,039,000
Total general obligation bonds		\$ 4,378,000	\$ —	\$ (1,124,000)	\$ 3,254,000
Revenue Bonds:					
Stormwater	7/08/04	\$ 7,146,960	\$ —	\$ (885,761)	\$ 6,261,199
Water and sewer system refunding	11/16/01	950,000	—	(225,000)	725,000
Total revenue bonds		\$ 8,096,960	\$ —	\$ (1,110,761)	\$ 6,986,199
Contracts Payable:					
Myrtle Beach Water Sales and Purchase Agreement (See Note 8)	09/18/91	\$ 13,418,333	\$ —	\$ (628,333)	\$ 12,790,000
Notes Payable:					
Aquatics and fitness center note obligation	11/13/03	\$ 8,314,181	\$ —	\$ (297,538)	\$ 8,016,643
Capital Lease Payable:					
New equipment lease '06	4/5/06	\$ —	1,975,000	—	1,975,000
Accrued Compensated Absences:					
Liability for vacation pay:					
Governmental		\$ 539,168	\$ 192,031	\$ (68,278)	\$ 662,921
Business-type		159,741	210,318	(159,741)	210,318
		\$ 698,909	\$ 402,349	\$ (228,019)	\$ 873,239

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt (Continued)

D. Annual Requirements for Long-term Debt

The annual debt service requirements to amortize all of the City's long-term debt, except accrued compensated absences, are summarized below:

	Interest Requirements	Principal Requirements	Total Requirements
General Obligation Bonds:			
2007 (Due within one year)	\$ 157,930	\$ 666,000	\$ 823,930
2008	124,796	693,000	817,796
2009	90,328	747,000	837,328
2010	53,122	777,000	830,122
2011	14,395	185,000	199,395
2012	7,217	186,000	193,217
	<u>\$ 447,788</u>	<u>\$ 3,254,000</u>	<u>\$ 3,701,788</u>
Revenue Bonds: (Stormwater Utility)			
2007 (Due within one year)	\$ 220,263	\$ 919,737	\$ 1,140,000
2008	184,984	955,016	1,140,000
2009	148,351	991,649	1,140,000
2010	110,313	1,029,687	1,140,000
2011	70,815	1,069,185	1,140,000
2012—2013	30,674	1,295,925	1,326,599
	<u>\$ 765,400</u>	<u>\$ 6,261,199</u>	<u>\$ 7,026,599</u>
Revenue Bonds: (Water and Sewer Systems)			
2007 (Due within one year)	\$ 28,492	\$ 235,000	\$ 263,492
2008	19,257	235,000	254,257
2009	10,022	255,000	265,022
	<u>\$ 57,771</u>	<u>\$ 725,000</u>	<u>\$ 782,771</u>
Contract Payable:			
2007 (Due within one year)	\$ 681,513	\$ 658,333	\$ 1,339,846
2008	646,950	698,333	1,345,283
2009	609,683	738,333	1,348,016
2010	569,075	775,000	1,344,075
2011	526,450	810,000	1,336,450
2012-2016	1,921,889	4,763,333	6,685,222
2017-2020	550,988	4,346,668	4,897,656
	<u>\$ 5,506,548</u>	<u>\$ 12,790,000</u>	<u>\$ 18,296,548</u>
Note Payable:			
2007 (Due within one year)	\$ 328,682	\$ 309,737	\$ 638,419
2008	315,983	322,436	638,419
2009	302,763	335,656	638,419
2010	289,001	349,418	638,419
2011	274,675	363,744	638,419
2012-2016	1,137,064	2,055,032	3,192,096
2017-2021	679,791	2,512,305	3,192,096
2022-2024	146,943	1,768,315	1,915,257
	<u>\$ 3,474,901</u>	<u>\$ 8,016,643</u>	<u>\$ 11,491,544</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Long-Term Debt (Continued)

D. Annual Requirements for Long-term Debt (Continued)

	Interest Requirements	Principal Requirements	Total Requirements
Capital Lease Payable:			
2007 (Due within one year)	\$ 78,801	\$ 364,713	\$ 443,514
2008	64,250	379,264	443,514
2009	49,118	394,396	443,514
2010	33,381	410,133	443,514
2011	17,020	426,494	443,514
	<u>\$ 242,570</u>	<u>\$ 1,975,000</u>	<u>\$ 2,217,570</u>

The ordinance provisions supporting the Stormwater Utility Revenue Bonds and the Water and Sewer System Refunding Revenue Bonds require the maintenance of the following funds:

Gross Revenue Fund - All revenues generated respectively by the Stormwater Utility and the Water and Sewer System are to be deposited in this fund. This revenue is included in the Stormwater Special Revenue Fund and Water and Sewer Enterprise Fund.

Operation and Maintenance Fund - This fund is intended to provide for the payment of expenses incurred in connection with the administration and operation of the system, and such expenses as may be necessary to preserve the system in good repair and working order. These expenses are included in the Stormwater Special Revenue Fund and Water and Sewer Enterprise Fund, respectively.

Debt Service Fund - Transfers from the Gross Revenue Fund are required to meet bond redemptions and interest payments. This account is titled "Bond and Interest Redemption and Cushion Funds" in the Water and Sewer Enterprise Fund and the Stormwater Debt Service Fund, respectively. Additionally, in lieu of making deposits into a Debt Service Reserve Fund, the City has obtained a Debt Service Reserve Surety Bond issued by a third-party guarantor.

Depreciation and Contingent Fund - A transfer from the Gross Revenue Fund is required annually in an amount determined by the City. These funds are to be used for the purposes of restoring depreciated or obsolete items of the system and for contingencies, improvements, betterments and extensions of the system. At June 30, 2006, no amounts have been transferred.

There are a number of limitations and restrictions contained in the respective revenue bond indentures, all of which the City complied at June 30, 2006.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

8. **Contracts Payable and Long-term Commitments**

Water Sale and Purchase Agreement

The City is obligated under a Water Sale and Purchase Agreement (the Agreement) with the City of Myrtle Beach, South Carolina (Myrtle Beach), whereby the City purchased capacity of seven million gallons per day in Myrtle Beach's water treatment plant. The City's obligation under the Agreement is to make payments solely from charges for water services. The City does not receive any ownership rights in the water treatment plant under the Agreement and is obligated to make the scheduled payments regardless of actual usage of water from the system. At June 30, 2006, Myrtle Beach assigned all of its rights, title and interest of the contract to Grand Strand Water and Sewer Authority. The Agreement expires in 2021 upon the final maturity of the related bonds of Myrtle Beach discussed below.

The purchase cost incurred, which consists of a pro rata portion of construction costs incurred by Myrtle Beach, has been recorded by the City as an asset ("deferred charge"), net of amortization, in the Water and Sewer Utility Fund.

At year end June 30, 2006, net carrying value equaled \$9,839,791 accumulated amortization expense equaled \$9,720,032. The City's obligation to make payments to Myrtle Beach to retire a pro rata portion of the principal of bonds issued by Myrtle Beach to finance the water treatment plant has been recorded as contracts payable in the Water and Sewer Utility Fund (*see Note 7*). Additionally, the City is obligated to make a monthly payment attributable to its pro rata share of the cost of operating and maintaining the water treatment plant and related booster pumps. Currently estimated annual costs, which will be charged to expense as incurred, are approximately \$500,000 plus twenty (20) percent of the annual debt service component. A portion of the annual operating cost paid is deposited into a Renewal and Replacement Fund held by Myrtle Beach to provide for depreciation, contingencies, improvements and extensions of the plant. If at the end of any fiscal year, there shall be on deposit in the Renewal and Replacement Fund an amount in excess of \$1,000,000, the City will be entitled to a reimbursement from Myrtle Beach. Deposits on hand with Myrtle Beach as of June 30, 2006 equaled \$396,822 and have been reported in the Enterprise Fund as restricted assets.

During the term of the Agreement, the City covenants that it will maintain rates and charges for its water and sewer system to enable the Water and Sewer Enterprise Fund to maintain the sum of net income, depreciation, amortization and interest at levels equal to at least 120% of total debt service requirements for each year.

Wastewater Treatment Service Agreement

The City is obligated under a Wastewater Treatment Service Agreement with the Grand Strand Water and Sewer Authority (GSWSA), an independent authority whose membership is appointed by elected officials from Horry County, South Carolina, to provide wastewater treatment services for the City. Under the agreement, the City is obligated to pay periodically an amount based on volume usage equal to a pro rata share of GSWSA's cost of wastewater treatment. The term of the agreement expires in the year 2020.

During FY 03-04, the City exercised its option and acquired additional sewer capacity from GSWSA at a cost of approximately \$9.0 million. At June 30, 2006 net carrying value equaled \$8,441,304 and accumulated amortization expense equaled \$562,754.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Capital Contributions

Capacity (system impact) charges, non-operating grants, and other contributed capital have been recognized in the Government-Wide financial statements and in the Proprietary Funds as a change in net assets.

For the Proprietary Fund, a summary of cash receipts and system contributions deeded from developers during the year ended June 30, 2006, were as follows:

Utility system impact fees	\$	5,775,298
System contributions by developers		2,614,308
Extension fees and other		6,750
Total capital contributions	\$	<u>8,396,356</u>

10. Net Assets

Net assets of the Government-Wide and Proprietary Fund financial statements represent the difference between assets and liabilities. Reported amounts for invested in capital assets and restricted net assets were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Invested in Capital Assets, Net of Related Debt:</u>		
Net capital assets	\$ 56,668,462	\$ 70,114,874
Less, G.O. and revenue bonds payable	(9,515,199)	(9,142,343)
Total invested in capital assets, net of related debt	<u>\$ 47,153,263</u>	<u>\$ 60,972,531</u>
<u>Restricted:</u>		
Restricted cash, cash equivalents and deposits	\$ 1,763,289	\$ 21,506,722
Less, liabilities payable from restricted assets	(700,049)	(6,975,917)
	<u>\$ 1,063,240</u>	<u>\$ 14,530,805</u>
Restricted net assets:		
Public safety:		
Victims' assistance programs	\$ 82,990	\$ —
Drug enforcement programs	98,833	—
Public works:		
Shore protection project	881,417	—
Future capacity	—	13,813,674
Debt service	—	717,131
Total restricted net assets	<u>\$ 1,063,240</u>	<u>\$ 14,530,805</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

11. Retirement Plans

The City presently maintains two defined contribution plans (Money Purchase Retirement Plans #1 and #2) and also participates in the South Carolina Police Officers Retirement System, a cost-sharing multiple-employer public employee retirement system. Detailed disclosures about each of these plans follow:

Money Purchase Retirement Plans

A. Plan Description

In 1994, the City established a money purchase plan and trust Money Purchase Retirement Plans #1 and #2 to be known as "North Myrtle Beach 401(a) Plan for General Employees and Firefighters".

The Money Purchase Retirement Plans #1 and #2 are single-employer defined contribution retirement systems administered by the International City Managers' Association (ICMA) Retirement Corporation. The City is the only non employee contributor to the plans. All employees of the City are covered by the two plans with Plan #2 covering certain administrative personnel and Plan #1 covering the balance of the work force.

The plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Contributions made by participants vest immediately and participant loans are permitted.

B. Basic Provisions

The City has adopted the Declaration of trust of the ICMA Retirement Trust. Under terms of the trust, the City (as Trustee), or the Plan Administrator acting as agent for the trustee, shall have the investment powers listed in the Declaration with respect to investment of Trust, except to the extent that the investment of Trust assets is controlled by participants.

The Trust created under the plan shall consist of all the assets of the Plan derived from employer contributions and participant contributions under the plan, plus any income and gains thereon, less any losses, expenses, and distributions to participants and beneficiaries.

Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the balance sheet. Investments in securities are valued at current market prices. No investment in any one organization represents 5% or more of the net assets available for pension benefits. There are no investments in, loans to, or leases with parties related to the pension plan.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

11. Retirement Plans (Continued)
Money Purchase Retirement Plans (Continued)

C. Funding Policy

For Plan #1, the City contributes 8% of the employees' gross earnings and each participant is required to contribute 2%. Contributions made by the City are vested 100% after 5 years of full-time employment. For Plan #2, the City and each participant contribute 12% and contributions vest immediately. As of June 30, 2006, the plans' participants equaled 189 employees. The gross payroll for the employees covered by the plans for the year ended June 30, 2006, approximated \$7,657,506. The City's total payroll, without adjustment for accruals, was approximately \$13,830,806. Employer contributions to Plan #1 and Plan #2 for the year ended June 30, 2006, equaled \$606,018 and \$9,946, respectively, and represented approximately 8% of covered payroll. Employee contributions to Plan #1 and #2 for the year ended June 30, 2006, equaled \$151,493 and \$9,946 respectively.

D. Condensed Financial Information

Combining Statement of Plan Net Assets
 June 30, 2006

	Pension Trust Funds		
	Money Purchase Retirement Plan #1	Money Purchase Retirement Plan #2	Combined Total
Assets			
Cash and temporary investments	\$ 10,238,018	\$ 280,344	\$ 10,518,362
Receivables - Participant loans	515,175	—	515,175
Total assets	<u>\$ 10,753,193</u>	<u>\$ 280,344</u>	<u>\$ 11,033,537</u>
Net Assets			
Held in trust for employee's pension benefits	<u>\$ 10,753,193</u>	<u>\$ 280,344</u>	<u>\$ 11,033,537</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

11. Retirement Plans (Continued)

Money Purchase Retirement Plans (Continued)

Combining Statement of Changes of Plan Net Assets
Year Ended June 30, 2006

	Pension Trust Funds		
	Money Purchase Retirement Plan #1	Money Purchase Retirement Plan #2	Combined Total
Additions			
Employer contributions	\$ 606,018	\$ 9,946	\$ 615,964
Employee (member) contributions	151,492	9,946	161,438
Investment income	698,470	15,670	714,140
Non-vested rollover	37,466	—	37,466
Total additions	<u>1,493,446</u>	<u>35,562</u>	<u>1,529,008</u>
Deductions			
Benefit payments/loan issuance costs	677,273	15,030	692,303
Trustee fees	3,106	—	3,106
Total deductions	<u>680,379</u>	<u>15,030</u>	<u>695,409</u>
Change in net assets			
Net assets, beginning of year	9,940,126	259,812	10,199,938
Net assets, end of year	<u>\$ 10,753,193</u>	<u>\$ 280,344</u>	<u>\$ 11,033,537</u>

South Carolina Police Officers Retirement System

A. Plan Description

The City participates in the South Carolina Police Officers Retirement System (PORS), which is a cost-sharing multi-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board. City police officers and certain other public safety officers are required to participate in and contribute to the PORS as a condition of employment.

The South Carolina Police Officers Retirement System offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws.

A comprehensive annual financial report containing financial statements and required supplementary information for the South Carolina Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, P. O. Box 11960, Columbia, SC 29211-1960.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

11. Retirement Plans (Continued)

South Carolina Police Officers Retirement System (continued)

B. Funding Policy

Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws.

Employees are required to contribute 6.5% of their salary to the Plan.

Employers are required to contribute to the Plan at an actuarially determined rate. The rate for the year ended June 30, 2006, was 10.3%. In addition, the City contributes .2% to provide group life insurance and .2% to provide accidental death benefits. The City's contributions to the PORS for the years ending June 30, 2006, 2005 and 2004 were \$597,082, \$570,807, and \$452,393 respectively, equal to the required contributions for each year.

City of North Myrtle Beach Death, Disability and Retirement Benefit Plan-Terminated

Prior to FY 95, the City maintained its own self-funded death, disability and retirement plan. The plan was a single-employer, defined benefit pension plan administered by the City, as trustee, with plan assets held by a commercial bank under the terms of a custodial and management agreement with the City. In 1994, the City, via resolution, terminated the plan, which effectively ceased all future participation requirements and benefit accruals. All remaining net assets available for benefits (\$518,345 at June 30, 2006) are maintained by a third-party trustee. At June 30, 2006, \$238,342 has been recorded as a receivable in the General Fund (*See Note 3*) from the excess of net assets over actuarial liabilities.

All City employees who were actively employed by the City as of June 30, 1994 and whose customary employment was for at least 30 hours per week were eligible and were required to participate in the City's Money Purchase Retirement Plans with all applicable net assets of the terminated plan being transferred accordingly.

For those employees who have retired under the terminated plan, or vested employees who had left the City employ prior to plan termination, will receive a comparable level of benefits as defined by the plan and trust agreement, or a negotiated settlement.

12. Risk Management

The City is exposed to various risks of loss related to torts-theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial property insurance coverage and general liability coverage for these risks, except as noted below. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

The City participates in the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF), an insurance pool currently operating as a common risk management and insurance program. The pool provides coverage up to \$100,000 for property and liability insurance. The pool has excess commercial insurance that increases coverage to \$29 million (per occurrence) for property, \$1 million for liability, \$50 million for boiler and machinery and \$100,000 surety coverage. The City pays an annual premium to SCMIRF for its general insurance coverage. Payments made for the year ended June 30, 2006, were \$423,835.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

12. Risk Management (continued)

The City participates in the South Carolina Local Government Assurance Group (SCLGAG) to provide for the administration of a plan providing health insurance coverage to all employees. Effective July 1, 1997, the City changed its plan and became an "experience rated" participant in the SCLGAG. Claims in excess of \$100,000 (stop-loss provision) are insured by a private carrier selected by the SCLGAG. Cash is transferred, in the form of "contributions" monthly to the SCLGAG to provide for the payment of claims, including a reserve against unusually large claims, as they are filed. The SCLGAG experienced rated members collectively share in claims between \$40,000 and \$100,000.

The City participates in the South Carolina Municipal Insurance Trust (SCMIT), an insurance pool covering the City's worker's compensation liability program. The City funds the costs by charging premiums to user departments. Claims in excess of \$300,000 (stop-loss provision) are issued by a private carrier selected by the SCMIT. The City made premium payments totaling \$492,198 for the year ended June 30, 2006. The limits of liability for tort actions not specifically exempt by the South Carolina Government Tort Claims Act are \$250,000 per person and \$500,000 per occurrence.

Changes in the aggregate liability are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Unpaid claims at beginning of year	\$ 43,322	\$ (61,335)	\$ (212,561)
Incurred claims for current and prior year events where the City has retained risk of loss	2,914,063	2,033,046	1,404,505
Payments on claims for current and prior year events where the City has retained risk of loss	<u>(2,768,048)</u>	<u>(1,928,389)</u>	<u>(1,253,279)</u>
(Reserve)/unpaid claims at end of year	<u>\$ 189,337</u>	<u>\$ 43,322</u>	<u>\$ (61,335)</u>

The City also is self-insured for unemployment benefits. Claims are administered by the South Carolina Employment Security Commission and are then reimbursed by the City. No liability has been accrued at year end for potential claims, as they are expected to be minimal.

13. Post-Employment Health Care Benefits

The City's policy is to extend medical coverage to employees who retire with at least twenty years of continuous service. There are 13 retirees who are covered under this policy. The cost of retiree health care benefits is recognized as expenditure as premiums are paid. For the year ended June 30, 2006, the cost of retiree medical insurance was approximately \$54,566.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

14. Contingencies

Litigation

The City is party to legal proceedings that normally occur in governmental operations. City officials believe the legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

Federal and State Assisted Programs

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds.

Such audits could result in the refund of grant monies to the grantor agencies. However, management believes that any required refunds would be immaterial and no provision has been made in the accompanying financial statements for the refund of grant monies.

15. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanations of Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The Governmental Fund Balance Sheet includes a reconciliation between fund balance amounts and Net Assets-Governmental Activities. The details of the reconciled amounts are as follows:

Capital assets in governmental activities are not financial resources and therefore are not reported in the fund financial statements:

Capital assets	\$ 75,703,768
Less, accumulated depreciation	(19,035,306)
Net amount reported	<u>\$ 56,668,462</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund financial statements:

Accrued interest expense	\$ (75,703)
General obligation bonds payable	(3,254,000)
Revenue bonds payable	(6,261,199)
Capital lease payable	(1,975,000)
Accrued compensated absences – long-term portion	(601,165)
Net amount reported	<u>\$ (12,167,067)</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

15. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

B. Explanations of Differences Between the Governmental Fund Statement of Revenue, Expenditures and Fund Balances and the Government-Wide Statement of Activities

The Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances include a reconciliation between net changes in fund balance and Changes in Net Assets-Governmental Activities. The details of the reconciled amounts are as follows:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period:

Capital outlay expenditures	\$ 7,934,397
Depreciation expense	<u>(2,685,978)</u>
Net amount reported	<u>\$ 5,248,419</u>

Revenues in the Statement of Activities that do not provide current financial resources are reported as revenues in these funds:

Property taxes	\$ (209,926)
Net amount reported	<u>\$ (209,926)</u>

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:

Accrued compensated absences—net	\$ (130,275)
Accrued interest expense – net	(11,196)
Loss on disposal of capital assets	<u>(78,575)</u>
Net amount reported	<u>\$ (220,046)</u>

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal repayments – G.O. Bonds and transfers to escrow agents and other related costs	\$ 2,009,761
Proceeds from bond issuance	<u>(1,975,000)</u>
Net amount reported	<u>\$ 34,761</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2006

(With comparative actual amounts for June 30, 2005)

	2006			Variance Positive (Neg.)	2005
	Budget		Actual		Actual
	Original	Final			
Revenue					
Current property taxes	\$ 6,850,000	\$ 6,850,000	\$ 7,504,632	\$ 654,632	\$ 6,634,370
Delinquent property taxes	190,000	190,000	145,756	(44,244)	39,194
Licenses and permits	9,025,177	9,025,177	8,878,631	(146,546)	7,392,929
Fines and forfeitures	544,000	544,000	667,589	123,589	559,298
Use of money and property	210,000	210,000	439,653	229,653	238,583
Unrestricted intergovernmental	964,600	964,600	955,045	(9,555)	891,991
Restricted intergovernmental	225,000	225,000	61,404	(163,596)	149,509
Sales and service charges	321,500	321,500	338,502	17,002	340,261
Miscellaneous	50,000	50,000	13,474	(36,526)	29,128
Total revenue	18,380,277	18,380,277	19,004,686	624,409	16,275,263
Expenditures					
General Government					
Administration					
General services	558,437	1,493,762	1,135,583	358,179	602,092
Legislative	57,811	57,811	69,534	(11,723)	60,960
Administrative	127,537	127,537	118,141	9,396	160,154
City Court	290,116	290,116	277,510	12,606	268,426
Legal	114,723	114,723	134,716	(19,993)	145,729
Personnel	285,382	285,382	337,474	(52,092)	262,150
Total	1,434,006	2,369,331	2,072,958	296,373	1,499,511
Less, capital outlay	—	(905,325)	(1,041,705)	136,380	(40,371)
Net general government administration	1,434,006	1,464,006	1,031,253	432,753	1,459,140
Finance					
Accounting	287,171	287,171	272,562	14,609	252,884
Revenue	269,510	269,510	255,840	13,670	249,497
Information services	342,837	342,837	335,735	7,102	260,841
Total	899,518	899,518	864,137	35,381	763,222
Less, capital outlay	(199,285)	(199,285)	(83,937)	(115,348)	(15,466)
Net finance	700,233	700,233	780,200	(79,967)	747,756
Public Safety					
Administrative	367,294	367,294	323,386	43,908	438,487
Uniform patrol	4,024,771	4,029,771	4,015,985	13,786	3,996,426
Community services	530,470	530,470	568,516	(38,046)	392,478
Detectives	904,073	904,073	905,533	(1,460)	748,816
Communications/Detention	3,191,671	3,191,671	2,848,761	342,910	927,323
Records	311,225	311,225	286,159	25,066	287,536
Victim's assistance	59,632	59,632	55,892	3,740	55,010
Police training	167,506	167,506	166,136	1,370	155,403
Fire suppression	2,098,338	2,098,338	2,262,774	(164,436)	2,174,015
Fire prevention	220,322	220,322	190,879	29,443	186,760
Total	11,875,302	11,880,302	11,624,021	256,281	9,362,254
Less, capital outlay	(2,626,200)	(2,626,200)	(2,260,525)	(365,675)	(491,699)
Net public safety	9,249,102	9,254,102	9,363,496	(109,394)	8,870,555
Planning/Development					
Planning/zoning administration:	801,018	801,018	752,653	48,365	629,325
Code enforcement	732,507	809,757	751,461	58,296	700,854
Total	1,533,525	1,610,775	1,504,114	106,661	1,330,179
Less, capital outlay	(40,000)	(63,000)	(39,298)	(23,702)	(14,534)
Net planning/development	1,493,525	1,547,775	1,464,816	82,959	1,315,645

— CONTINUED —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

— CONTINUED —

	2006		Actual	Variance Positive (Neg.)	2005
	Budget Original	Budget Final			Actual
Expenditures (Continued)					
Public Works					
Streets/drainage	1,460,052	1,460,052	1,548,977	(88,925)	1,507,210
Less, capital outlay	(147,000)	(147,000)	(124,877)	(22,123)	(181,805)
Net public works	1,313,052	1,313,052	1,424,100	(111,048)	1,325,405
Parks and Recreation					
Recreation	652,909	652,909	701,393	(48,484)	707,315
Parks and grounds	1,200,394	1,200,394	1,075,693	124,701	864,664
Total	1,853,303	1,853,303	1,777,086	76,217	1,571,979
Less, capital outlay	(448,090)	(448,090)	(282,664)	(165,426)	(38,959)
Net parks and recreation	1,405,213	1,405,213	1,494,422	(89,209)	1,533,020
Support Services					
Purchasing	163,074	184,074	158,085	25,989	142,696
Fleet maintenance	201,293	201,293	198,953	2,340	199,884
Custodial services	162,914	141,914	230,988	(89,074)	132,603
Total	527,281	527,281	588,026	(60,745)	475,183
Less, capital outlay	(21,000)	(21,000)	(16,916)	(4,084)	—
Net support services	506,281	506,281	571,110	(64,829)	475,183
Debt Service					
Principal retirement	1,115,000	1,115,000	1,124,000	(9,000)	1,060,000
Interest and fiscal charges	215,300	215,300	200,433	14,867	263,199
Agent fees	20,000	20,000	4,208	15,792	780
Total debt service	1,350,300	1,350,300	1,328,641	21,659	1,323,979
Capital Outlay	3,481,575	4,409,900	3,849,922	559,978	782,834
Total expenditures	20,933,287	21,950,862	21,307,960	642,902	17,833,517
Excess (deficiency) of revenue over expenditures	(2,553,010)	(3,570,585)	(2,303,274)	1,267,311	(1,558,254)
Other Financing Sources (Uses)					
Capital lease obligation	1,975,750	1,975,750	1,975,000	(750)	—
Transfers in:					
From Accommodations (2%) Tax Fund	734,315	734,315	734,315	—	767,073
From Water/Sewer Utility Fund	250,000	250,000	—	(250,000)	—
From Local (1.5%) Accommodations Tax Fund	—	—	1,391,481	1,391,481	1,199,586
From Hospitality (1%5) Tax Fund	—	—	1,854,962	1,854,962	1,763,526
Transfers (out):					
To Capital Improvement Fund	—	(233,580)	(233,580)	—	—
To Street Improvement Fund	(650,000)	(650,000)	(650,000)	—	(600,000)
Total other financing sources (uses)	2,310,065	2,076,485	5,072,178	2,995,693	3,130,185
Net change in fund balances	(242,945)	(1,494,100)	2,768,904	4,263,004	1,571,931
Fund balance, beginning of year	10,412,603	10,412,603	10,412,603	—	8,840,672
Fund balance, end of year	\$ 10,169,658	\$ 8,918,503	\$ 13,181,507	\$ 4,263,004	\$ 10,412,603

Note: The City prepares its budget on the GAAP basis. See Notes to the Financial Statements.

OTHER FINANCIAL INFORMATION

COMBINING 'NON—MAJOR' GOVERNMENTAL
FINANCIAL STATEMENTS

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	Special Revenue Funds		Hospitality (1%) Fee	Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Accommodation (2%) Tax	Local (1.5%) A-Tax			Capital Improvement	Street Improvements	Beach Renourishment	
Assets								
Equity in pooled cash and cash equivalents	\$ 83,909	\$ —	\$ —	\$ —	\$ —	\$ 994,261	\$ 881,417	\$ 1,959,587
Receivables	—	377,808	232,659	—	—	—	—	610,467
Due from other governments	715,520	—	—	—	—	—	—	715,520
Total assets	\$ 799,429	\$ 377,808	\$ 232,659	\$ —	\$ —	\$ 994,261	\$ 881,417	\$ 3,285,574
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 293,768	\$ —	\$ —	\$ —	\$ —	\$ 210,719	\$ —	\$ 504,487
Retainage payable	—	—	—	—	—	75,312	—	75,312
Due to other funds	—	377,808	232,659	—	—	614,267	—	1,224,734
Total liabilities	293,768	377,808	232,659	—	—	286,031	—	1,804,533
Fund balances:								
Reserved for:								
Shore Protection Project	—	—	—	—	—	—	881,417	881,417
Unreserved/undesignated	505,661	—	—	—	(614,267)	708,230	—	599,624
Total fund balances	505,661	—	—	—	(614,267)	708,230	881,417	1,481,041
Total liabilities and fund balances	\$ 799,429	\$ 377,808	\$ 232,659	\$ —	\$ —	\$ 994,261	\$ 881,417	\$ 3,285,574

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			Debt Service Fund		Capital Projects Funds			Total Nonmajor Governmental Funds
	Accommodation (2%) Tax	Local (1.5%) A-Tax	Hospitality (1%) Fee	Stormwater Bond	Capital Improvement	Street Improvement	Beach Renourishment		
Revenue									
Use of money and property	\$ 22,790	\$ —	\$ —	\$ —	\$ 69,562	\$ 67,199	\$ 31,730	\$	191,281
Restricted intergovernmental	2,305,122	2,086,343	1,854,962	—	—	587,704	—	—	6,834,131
Sales and service charges	—	—	—	—	4,500	162,720	—	—	167,220
Total revenue	2,327,912	2,086,343	1,854,962	—	74,062	817,623	31,730	—	7,192,632
Expenditures									
Current:									
Public works	1,100,115	—	—	—	172,049	1,908,106	45,514	—	2,125,669
Parks and recreation	—	—	—	—	—	—	—	—	1,100,115
Debt Service	—	—	—	1,045,000	—	—	—	—	1,045,000
Total expenditures	1,100,115	—	—	1,045,000	172,049	1,908,106	45,514	—	4,270,784
Excess (deficiency) of revenue over (under) expenditures	1,227,797	2,086,343	1,854,962	(1,045,000)	(97,987)	(1,090,483)	(13,784)	—	2,921,848
Other Financing Sources (Uses)									
Transfers in	(998,843)	(2,086,343)	(1,854,962)	—	233,580	650,000	—	—	1,928,580
Transfers (out)	(998,843)	(2,086,343)	(1,854,962)	1,045,000	—	—	—	—	(4,940,148)
Total other financing sources (uses)	—	—	—	—	135,593	(440,483)	(13,784)	—	(89,720)
Net change in fund balances	228,954	—	—	—	(749,860)	1,148,713	895,201	—	1,570,761
Fund balances, beginning of year	276,707	—	—	—	—	—	—	—	—
Fund balances, end of year	\$ 505,661	\$ —	\$ —	\$ —	\$ (614,267)	\$ 708,230	\$ 881,417	\$	\$ 1,481,041

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INDIVIDUAL FUND
FINANCIAL STATEMENTS

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GENERAL FUND

The General Fund is the major operating fund of the City's governmental activities and is used to account for all financial resources except those required to be accounted for in other funds.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

GENERAL FUND
BALANCE SHEET

JUNE 30, 2006

(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 6,424,330	\$ 4,258,279
Equity in pooled cash and cash equivalents	2,620,976	2,687,852
Receivables:		
Property taxes	546,513	421,605
Less, allowance for doubtful accounts	(492,858)	(421,605)
Franchise fees	428,189	472,593
Hospitality fee	—	553,901
Defined Benefit Pension Trust Fund	278,523	130,839
Other receivables	5,931	2,392
Due from other governments:		
Horry County	—	60,997
Federal grant	32,305	17,727
Due from other funds:		
Accommodations Tax Fund	—	93,249
Local Accommodations Tax Fund	251,896	—
Hospitality Fees Fund	232,659	—
Stormwater fund	—	668,840
Solid Waste Enterprise Fund	1,031,084	989,691
Capital Improvement Fund	614,267	749,860
Aquatic Fund	1,130,535	70,467
Water and Sewer Fund	685,647	—
Street Improvement Fund	—	160,463
Inventories and prepaid items	168,108	162,391
Restricted assets:		
Cash and cash equivalents:		
Drug enforcement account	98,833	72,667
Police seizures held	18,904	29,527
Equity in pooled cash and cash equivalents:		
Bail bond account	655,045	603,837
Total assets	<u>\$ 14,730,887</u>	<u>\$ 11,785,572</u>

— CONTINUED —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

GENERAL FUND
BALANCE SHEET

—CONTINUED—

	<u>2006</u>	<u>2005</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 519,334	\$ 385,200
Construction and retainage payable	4,543	—
Accrued payroll and withholdings payable	228,051	235,409
Medical claims payable, net	35,647	32,406
Accrued compensated absences	61,756	68,278
Payable from restricted assets:		
Bail bonds	655,045	603,837
Police seizures held	18,904	29,527
Magistrate payable	5,100	7,444
High court payable	5,000	8,868
Deposits-performance bonds	16,000	2,000
Total liabilities	<u>1,549,380</u>	<u>1,372,969</u>
Fund Balance:		
Reserved for inventory and prepaid items	168,108	162,391
Reserved for grants	32,305	17,727
Reserved for victims assistance	82,990	81,733
Reserved for drug enforcement	98,833	72,667
Reserved for J. Causey Memorial	2,295	2,295
Reserved for historical museum	331	—
Unreserved:		
Designated for contingencies	250,000	250,000
Designated for recovery emergency area	142,500	142,500
Undesignated	12,404,145	9,683,290
Total fund balance	<u>13,181,507</u>	<u>10,412,603</u>
Total liabilities and fund balance	<u>\$ 14,730,887</u>	<u>\$ 11,785,572</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2006
(With comparative actual amounts for June 30, 2005)

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Revenue				
Current property taxes	\$ 6,850,000	\$ 7,504,632	\$ 654,632	\$ 6,634,370
Delinquent property taxes:				
Real and personal property	135,000	83,907	(51,093)	(16,727)
Penalties	55,000	61,849	6,849	55,921
	<u>190,000</u>	<u>145,756</u>	<u>(44,244)</u>	<u>39,194</u>
Licenses and permits:				
Business licenses	3,800,000	5,450,134	1,650,134	4,564,239
Business license penalties	27,500	47,494	19,994	33,285
Hospitality fees	2,987,000	—	(2,987,000)	—
Hospitality fee penalties	13,500	—	(13,500)	—
Building permits	800,000	1,628,590	828,590	1,193,894
Inspection fees	3,500	5,635	2,135	4,240
Other permits	7,000	9,630	2,630	8,130
Franchise fee - electricity	911,677	1,057,238	145,561	931,578
Franchise fee - cable TV	355,000	374,724	19,724	347,461
Franchise fee - telephone	65,000	240,329	175,329	256,146
Franchise fee - gas	55,000	64,857	9,857	53,956
	<u>9,025,177</u>	<u>8,878,631</u>	<u>(146,546)</u>	<u>7,392,929</u>
Fines and forfeitures:				
Fines	975,000	1,219,025	244,025	1,124,676
Seizures	30,000	42,569	12,569	10,343
Improper parking	9,000	19,713	10,713	10,217
Victims assistance	60,000	57,150	(2,850)	64,988
Less, remittances to State Treasurer	(530,000)	(670,868)	(140,868)	(650,926)
	<u>544,000</u>	<u>667,589</u>	<u>123,589</u>	<u>559,298</u>
Use of money and property:				
Interest on investments	125,000	370,540	245,540	165,233
Property rental	85,000	69,113	(15,887)	73,350
	<u>210,000</u>	<u>439,653</u>	<u>229,653</u>	<u>238,583</u>
Unrestricted intergovernmental:				
Local government	288,000	295,790	7,790	294,416
Homestead exemption tax	95,000	86,957	(8,043)	95,731
Business inventory tax	36,600	36,616	16	36,616
Accommodations tax	125,000	145,965	20,965	123,810
Motor carrier tax	15,000	16,152	1,152	14,289
Admissions tax	175,000	187,715	12,715	160,506
Alcoholic beverage permit fees	230,000	185,850	(44,150)	166,623
	<u>964,600</u>	<u>955,045</u>	<u>(9,555)</u>	<u>891,991</u>

— CONTINUED —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL

—CONTINUED—

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Revenue (Continued)				
Restricted intergovernmental:				
FEMA grant	—	(47,900)	(47,900)	80,335
Federal – other grants	225,000	67,156	(157,844)	18,038
State grants	—	1,148	1,148	10,136
Horry County recreation	—	41,000	41,000	41,000
	<u>225,000</u>	<u>61,404</u>	<u>(163,596)</u>	<u>149,509</u>
Sales and service charges:				
City codes and ordinances	10,000	10,641	641	8,250
Fire protection – contracts	85,000	98,240	13,240	97,128
Street work	25,000	17,853	(7,147)	12,192
Beach services franchise	125,000	108,125	(16,875)	130,825
Recreation fees	40,000	68,572	28,572	54,590
GIS Data	1,500	327	(1,173)	1,122
Memorial – J. Causey	—	—	—	350
Area historical museum	—	(332)	(332)	—
Miscellaneous	35,000	35,076	76	35,804
	<u>321,500</u>	<u>338,502</u>	<u>17,002</u>	<u>340,261</u>
Miscellaneous:				
Insurance reimbursements	50,000	6,606	(43,394)	23,678
Grants from private entities	—	6,868	6,868	5,450
	<u>50,000</u>	<u>13,474</u>	<u>(36,526)</u>	<u>29,128</u>
Total revenue	<u>18,380,277</u>	<u>19,004,686</u>	<u>624,409</u>	<u>16,275,263</u>
Expenditures				
General Government Administration				
General services:				
Personal services	61,175	74,786	(13,611)	75,775
Operating expenditures	1,063,800	1,110,142	(46,342)	1,041,723
Capital expenditure	905,325	1,041,705	(136,380)	40,371
Less, overhead allocation-utility	(536,538)	(1,091,050)	554,512	(555,777)
	<u>1,493,762</u>	<u>1,135,583</u>	<u>358,179</u>	<u>602,092</u>
Legislative:				
Personal services	118,168	124,937	(6,769)	121,286
Operating expenditures	10,300	29,583	(19,283)	11,235
Less, overhead allocation-utility	(70,657)	(84,986)	14,329	(71,561)
	<u>57,811</u>	<u>69,534</u>	<u>(11,723)</u>	<u>60,960</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL

—CONTINUED—

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Expenditures (Continued)				
General Government Administration				
(Cont.)				
Administrative:				
Personal services	211,366	200,355	11,011	273,918
Operating expenditures	72,050	62,181	9,869	74,242
Less, overhead allocation-utility	(155,879)	(144,395)	(11,484)	(188,006)
	<u>127,537</u>	<u>118,141</u>	<u>9,396</u>	<u>160,154</u>
City Court:				
Personal services	252,266	247,943	4,323	217,649
Operating expenditures	37,850	29,567	8,283	50,777
	<u>290,116</u>	<u>277,510</u>	<u>12,606</u>	<u>268,426</u>
Legal:				
Personal services	166,240	167,378	(1,138)	191,905
Operating expenditures	88,700	131,992	(43,292)	124,897
Less, overhead allocation-utility	(140,217)	(164,654)	24,437	(171,073)
	<u>114,723</u>	<u>134,716</u>	<u>(19,993)</u>	<u>145,729</u>
Personnel:				
Personal services	401,130	434,547	(33,417)	337,485
Operating expenditures	18,550	61,738	(43,188)	26,612
Less, overhead allocation-utility	(134,298)	(158,811)	24,513	(101,947)
	<u>285,382</u>	<u>337,474</u>	<u>(52,092)</u>	<u>262,150</u>
Total general government administration	2,369,331	2,072,958	296,373	1,499,511
Less, total capital outlay	(905,325)	(1,041,705)	136,380	(40,371)
Net general government administration	<u>1,464,006</u>	<u>1,031,253</u>	<u>432,753</u>	<u>1,459,140</u>
Finance				
Accounting:				
Personal services	393,772	388,270	5,502	359,365
Operating expenditures	88,000	77,813	10,187	71,687
Capital expenditures	25,000	14,908	10,092	—
Less, overhead allocation-utility	(219,601)	(208,429)	(11,172)	(178,168)
	<u>287,171</u>	<u>272,562</u>	<u>14,609</u>	<u>252,884</u>
Revenue:				
Personal services	238,410	226,248	12,162	226,405
Operating expenditures	31,100	29,592	1,508	23,092
	<u>269,510</u>	<u>255,840</u>	<u>13,670</u>	<u>249,497</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL

—CONTINUED—

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Expenditures (Continued)				
Finance (Cont.)				
Information services:				
Personal services	331,601	329,774	1,827	307,335
Operating services	78,495	173,472	(94,977)	121,814
Capital expenditures	174,285	69,029	105,256	15,466
Less, overhead allocation utility	(241,544)	(236,540)	(5,004)	(183,774)
	<u>342,837</u>	<u>335,735</u>	<u>7,102</u>	<u>260,841</u>
Total finance	899,518	864,137	35,381	763,222
Less, total capital outlay	(199,285)	(83,937)	(115,348)	(15,466)
Net finance	<u>700,233</u>	<u>780,200</u>	<u>(79,967)</u>	<u>747,756</u>
Public Safety				
Administrative:				
Personal services	343,197	282,664	60,533	309,499
Operating expenditures	24,097	40,722	(16,625)	30,254
Capital expenditures	—	—	—	98,734
	<u>367,294</u>	<u>323,386</u>	<u>43,908</u>	<u>438,487</u>
Uniform patrol:				
Personal services	3,285,171	3,254,771	30,400	3,273,668
Operating expenditures	488,600	533,504	(44,904)	533,401
Capital expenditures	256,000	227,710	28,290	189,357
	<u>4,029,771</u>	<u>4,015,985</u>	<u>13,786</u>	<u>3,996,426</u>
Community services:				
Personal services	417,445	450,793	(33,348)	255,934
Operating expenditures	111,525	117,723	(6,198)	114,298
Capital expenditures	1,500	—	1,500	22,246
	<u>530,470</u>	<u>568,516</u>	<u>(38,046)</u>	<u>392,478</u>
Detectives:				
Personal services	699,123	706,342	(7,219)	625,658
Operating expenditures	94,950	89,472	5,478	123,158
Capital expenditures	110,000	109,719	281	—
	<u>904,073</u>	<u>905,533</u>	<u>(1,460)</u>	<u>748,816</u>
Communications/Detention:				
Personal services	860,124	827,210	32,914	831,416
Operating expenditures	156,635	154,469	2,166	144,713
Capital expenditures	2,225,750	1,916,166	309,584	—
Less, overhead allocation-utility	(50,838)	(49,084)	(1,754)	(48,806)
	<u>3,191,671</u>	<u>2,848,761</u>	<u>342,910</u>	<u>927,323</u>
Records:				
Personal services	211,736	177,677	34,059	199,056
Operating expenditures	91,539	101,552	(10,013)	88,480
Capital expenditures	7,950	6,930	1,020	—
	<u>311,225</u>	<u>286,159</u>	<u>25,066</u>	<u>287,536</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL

—CONTINUED—

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Expenditures (Continued)				
Public Safety (Cont.)				
Victim's assistance:				
Personal services	51,807	51,561	246	50,528
Operating expenditures	7,825	4,331	3,494	4,482
	<u>59,632</u>	<u>55,892</u>	<u>3,740</u>	<u>55,010</u>
Police training:				
Personal services	146,581	146,638	(57)	138,781
Operating expenditures	20,925	19,498	1,427	16,622
	<u>167,506</u>	<u>166,136</u>	<u>1,370</u>	<u>155,403</u>
Fire suppression:				
Personal services	1,896,013	1,981,109	(85,096)	1,708,451
Operating expenditures	177,325	281,665	(104,340)	297,193
Capital expenditures	25,000	—	25,000	168,371
	<u>2,098,338</u>	<u>2,262,774</u>	<u>(164,436)</u>	<u>2,174,015</u>
Fire prevention:				
Personal services	201,902	173,801	28,101	154,534
Operating expenditures	18,420	17,078	1,342	19,235
Capital expenditures	—	—	—	12,991
	<u>220,322</u>	<u>190,879</u>	<u>29,443</u>	<u>186,760</u>
Total public safety	11,880,302	11,624,021	256,281	9,362,254
Less, total capital outlay	(2,626,200)	(2,260,525)	(365,675)	(491,699)
Net public safety	<u>9,254,102</u>	<u>9,363,496</u>	<u>(109,394)</u>	<u>8,870,555</u>
Planning/Development				
Planning/zoning administration:				
Personal services	621,538	643,782	(22,244)	566,467
Operating expenditures	179,480	108,871	70,609	48,324
Capital expenditures	—	—	—	14,534
	<u>801,018</u>	<u>752,653</u>	<u>48,365</u>	<u>629,325</u>
Code enforcement:				
Personal services	550,035	447,448	102,587	429,695
Operating expenditures	235,275	304,265	(68,990)	308,046
Capital expenditures	63,000	39,298	23,702	—
Less, overhead allocation-utility	(38,553)	(39,550)	997	(36,887)
	<u>809,757</u>	<u>751,461</u>	<u>58,296</u>	<u>700,854</u>
Total planning/development	1,610,775	1,504,114	106,661	1,330,179
Less, total capital outlay	(63,000)	(39,298)	(23,702)	(14,534)
Net planning/development	<u>1,547,775</u>	<u>1,464,816</u>	<u>82,959</u>	<u>1,315,645</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL

—CONTINUED—

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Expenditures (Continued)				
Public Works				
Streets/drainage:				
Personal services	850,480	855,844	(5,364)	807,258
Operating expenditures	624,800	740,364	(115,564)	685,615
Capital expenditures	147,000	124,877	22,123	181,805
Less, overhead allocation-utility	(162,228)	(172,108)	9,880	(167,468)
	<u>1,460,052</u>	<u>1,548,977</u>	<u>(88,925)</u>	<u>1,507,210</u>
Total public works	1,460,052	1,548,977	(88,925)	1,507,210
Less, total capital outlay	(147,000)	(124,877)	(22,123)	(181,805)
Net public works	<u>1,313,052</u>	<u>1,424,100</u>	<u>(111,048)</u>	<u>1,325,405</u>
Parks and Recreation				
Recreation:				
Personal services	321,879	304,299	17,580	375,426
Operating expenditures	227,030	303,784	(76,754)	331,889
Capital expenditures	104,000	93,310	10,690	—
	<u>652,909</u>	<u>701,393</u>	<u>(48,484)</u>	<u>707,315</u>
Parks and grounds:				
Personal services	502,178	497,079	5,099	481,225
Operating expenditures	354,126	389,260	(35,134)	344,480
Capital expenditures	344,090	189,354	154,736	38,959
	<u>1,200,394</u>	<u>1,075,693</u>	<u>124,701</u>	<u>864,664</u>
Total parks and recreation	1,853,303	1,777,086	76,217	1,571,979
Less, total capital outlay	(448,090)	(282,664)	(165,426)	(38,959)
Net parks and recreation	<u>1,405,213</u>	<u>1,494,422</u>	<u>(89,209)</u>	<u>1,533,020</u>
Support Services				
Purchasing:				
Personal services	376,238	332,075	44,163	334,304
Operating expenditures	21,502	36,583	(15,081)	13,734
Capital expenditures	21,000	16,916	4,084	—
Less, overhead allocations- utility	(234,666)	(227,489)	(7,177)	(205,342)
	<u>184,074</u>	<u>158,085</u>	<u>25,989</u>	<u>142,696</u>
Fleet management:				
Personal services	281,633	278,313	3,320	266,291
Operating expenditures	32,887	32,551	336	46,028
Less, overhead allocation-utility	(113,227)	(111,911)	(1,316)	(112,435)
	<u>201,293</u>	<u>198,953</u>	<u>2,340</u>	<u>199,884</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL

—CONTINUED—

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Expenditures (Continued)				
Support Services (Cont.)				
Custodial Services:				
Personnel services	139,810	131,307	8,503	129,837
Operating expenses	116,884	262,422	(145,538)	96,191
Less, overhead allocation-utility	(114,780)	(162,741)	47,961	(93,425)
	<u>141,914</u>	<u>230,988</u>	<u>(89,074)</u>	<u>132,603</u>
Total support services	527,281	588,026	(60,745)	475,183
Less, total capital outlay	(21,000)	(16,916)	(4,084)	—
Net support services	<u>506,281</u>	<u>571,110</u>	<u>(64,829)</u>	<u>475,183</u>
Debt Service				
Principal retirement	1,115,000	1,124,000	(9,000)	1,060,000
Interest and fiscal charges	215,300	200,433	14,867	263,199
Agent fees	20,000	4,208	15,792	780
Total debt service	<u>1,350,300</u>	<u>1,328,641</u>	<u>21,659</u>	<u>1,323,979</u>
Capital Outlay	<u>4,409,900</u>	<u>3,849,922</u>	<u>559,978</u>	<u>782,834</u>
Total expenditures	<u>21,950,862</u>	<u>21,307,960</u>	<u>642,902</u>	<u>17,833,517</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(3,570,585)</u>	<u>(2,303,274)</u>	<u>1,267,311</u>	<u>(1,558,254)</u>
Other Financing Sources (Uses)				
Capital lease obligation	1,975,750	1,975,000	(750)	—
Transfers in:				
From Accommodations (2%) Tax Fund	734,315	734,315	—	767,073
From Water/Sewer Utility Fund	250,000	—	(250,000)	—
From Local (1.5%) Accommodations Tax Fund	—	1,391,481	1,391,481	1,199,586
From Local (1%) Fee Fund	—	1,854,962	1,854,962	1,763,526
Transfers out:				
To Capital Improvement Fund	(233,580)	(233,580)	—	—
To Street Improvement Fund	(650,000)	(650,000)	—	(600,000)
Total other financing sources (uses)	<u>2,076,485</u>	<u>5,072,178</u>	<u>2,995,693</u>	<u>3,130,185</u>
Net change in fund balances	(1,494,100)	2,768,904	4,263,004	1,571,931
Fund balance, beginning of year	10,412,603	10,412,603	—	8,840,672
Fund balance, end of year	<u>\$ 8,918,503</u>	<u>\$ 13,181,507</u>	<u>\$ 4,263,004</u>	<u>\$ 10,412,603</u>

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than sources for major capital projects) that are restricted by law or otherwise restricted for specified purposes.

- Accommodations (2%) Tax Fund:** To account for the City's share of a 2% additional sales tax levied on the rental of transient accommodations. Use of the revenue is restricted to the promotion of tourism and tourist related activities.
- Local Accommodations (1.5%) Tax Fund:** To account for the City's share of a 1.5% local accommodations tax levied on the rental of transient accommodations. Use of the revenue is restricted for the beach, infrastructure and capital purchases.
- Hospitality (1%) Fees Fund:** To account for the City's share of a 1% tax on amusements and prepared foods. Use of the revenue is restricted for the beach, infrastructure and capital purchases.
- Stormwater Fund:** To account for revenues and expenditures associated with the City's Stormwater management program.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

SPECIAL REVENUE FUND

ACCOMMODATIONS (2%) TAX FUND
BALANCE SHEET

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Equity in pooled cash and cash equivalents	\$ 83,909	\$ —
Due from other governments	<u>715,520</u>	<u>571,092</u>
Total assets	<u>\$ 799,429</u>	<u>\$ 571,092</u>
Liabilities and Fund Balance		
Accounts payable	\$ 293,768	\$ 201,136
Due to General Fund	<u>—</u>	<u>93,249</u>
Total liabilities	<u>293,768</u>	<u>294,385</u>
Fund balance:		
Unreserved/undesignated	<u>505,661</u>	<u>276,707</u>
Total liabilities and fund balance	<u>\$ 799,429</u>	<u>\$ 571,092</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

SPECIAL REVENUE FUND

ACCOMMODATIONS (2%) TAX FUND
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE --
 BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2006
 (With comparative actual amounts for June 30, 2005)

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Revenue				
Use of money and property:				
Interest on investments	\$ 5,000	\$ 22,790	\$ 17,790	\$ 10,819
Restricted intergovernmental:				
SCDHEC Grant	—	6,781	6,781	6,064
Accommodations tax revenue	1,816,200	2,298,341	482,141	1,877,388
Total revenue	<u>1,821,200</u>	<u>2,327,912</u>	<u>506,712</u>	<u>1,894,271</u>
Expenditures				
Parks and recreation:				
City improvements – operations and maintenance	73,748	104,251	(30,503)	53,577
Allocations to other agencies	843,609	995,864	(152,255)	816,700
Total expenditures	<u>917,357</u>	<u>1,100,115</u>	<u>(182,758)</u>	<u>870,277</u>
Excess of revenue over expenditures	<u>903,843</u>	<u>1,227,797</u>	<u>323,954</u>	<u>1,023,994</u>
Other Financing Sources (Uses)				
Transfers (out)	<u>(998,843)</u>	<u>(998,843)</u>	<u>—</u>	<u>(961,667)</u>
Total other financing sources (uses)	<u>(998,843)</u>	<u>(998,843)</u>	<u>—</u>	<u>(961,667)</u>
Net change in fund balances	(95,000)	228,954	323,954	62,327
Fund balance, beginning of year	<u>276,707</u>	<u>276,707</u>	<u>—</u>	<u>214,380</u>
Fund balance, end of year	<u>\$ 181,707</u>	<u>\$ 505,661</u>	<u>\$ 323,954</u>	<u>\$ 276,707</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

SPECIAL REVENUE FUND

LOCAL ACCOMMODATIONS (1.5%) TAX FUND
BALANCE SHEET

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Receivables	\$ 377,808	\$ —
Total assets	<u>\$ 377,808</u>	<u>\$ —</u>
Liabilities and Fund Balance		
Due to other funds	\$ 377,808	\$ —
Total liabilities	<u>377,808</u>	<u>—</u>
Fund balance:		
Unreserved/undesignated	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 377,808</u>	<u>\$ —</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

SPECIAL REVENUE FUND

LOCAL ACCOMMODATIONS (1.5%) TAX FUND
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2006
 (With comparative actual amounts for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Neg.)	Actual
Revenue				
Restricted intergovernmental:				
Accommodations tax revenue	\$ —	\$ 2,084,650	\$ 2,084,650	\$ 1,796,020
Penalties	—	1,693	1,693	3,359
Total revenue	—	2,086,343	2,086,343	1,799,379
Excess of revenue over expenditures	—	2,086,343	2,086,343	1,799,379
Other Financing Sources (Uses)				
Transfers (out) - General Fund	—	(1,391,481)	(1,391,481)	(1,199,586)
Transfers (out) - Aquatic Fund	—	(694,862)	(694,862)	(599,793)
Total other financing sources (uses)	—	(2,086,343)	(2,086,343)	(1,799,379)
Net change in fund balances	—	—	—	—
Fund balance, beginning of year	—	—	—	—
Fund balance, end of year	\$ —	\$ —	\$ —	\$ —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

SPECIAL REVENUE FUND

HOSPITALITY (1.0%) FEES
BALANCE SHEET

YEAR ENDED JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Receivables	\$ 232,659	\$ —
Total assets	<u>\$ 232,659</u>	<u>\$ —</u>
Liabilities and Fund Balance		
Due to other funds	\$ 232,659	\$ —
Total liabilities	<u>232,659</u>	<u>—</u>
Fund balance:		
Unreserved/undesignated	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 232,659</u>	<u>\$ —</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

SPECIAL REVENUE FUND

HOSPITALITY (1.0%) FEES
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2006
 (With comparative actual amounts for June 30, 2005)

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Revenue				
Restricted intergovernmental:				
Hospitality fees	\$ —	\$1,850,871	\$ 1,850,871	\$ 1,760,233
Penalties	—	4,091	4,091	3,293
Total revenue	—	1,854,962	1,854,962	1,763,526
Excess of revenue over expenditures	—	1,854,962	1,854,962	1,763,526
Other Financing Sources (Uses)				
Transfers (out) - General Fund	—	(1,854,962)	(1,854,962)	(1,763,526)
Total other financing sources (uses)	—	(1,854,962)	(1,854,962)	(1,763,526)
Net change in fund balances	—	—	—	—
Fund balance, beginning of year	—	—	—	—
Fund balance, end of year	\$ —	\$ —	\$ —	\$ —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

SPECIAL REVENUE FUND

STORMWATER FUND
BALANCE SHEET

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 25,459	\$ —
Equity in pooled cash and cash equivalents	1,200,827	3,334,350
Accounts receivable	65,903	74,795
Total assets	<u>\$ 1,292,189</u>	<u>\$ 3,409,145</u>
 Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 183,262	\$ 149,912
Retainages payable	389,647	187,285
Due to General Fund	—	668,840
Total liabilities	<u>572,909</u>	<u>1,006,037</u>
Fund balance:		
Unreserved/undesignated	<u>719,280</u>	<u>2,403,108</u>
Total liabilities and fund balance	<u>\$ 1,292,189</u>	<u>\$ 3,409,145</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

SPECIAL REVENUE FUND

STORMWATER FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2006
(With comparative actual amounts for June 30, 2005)

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Revenue				
Use of money and property:				
Interest on investments	\$ 5,000	\$ 115,021	\$ 110,021	\$ 94,444
Sales and service charges:				
Water drainage fees	1,535,000	1,596,184	61,184	1,512,516
Total revenue	1,540,000	1,711,205	171,205	1,606,960
Expenditures				
Public works:				
Drainage/Ocean out-fall	3,600,000	2,350,033	1,249,967	5,073,294
Total expenditures	3,600,000	2,350,033	1,249,967	5,073,294
Excess (deficiency) of revenue over expenditures	(2,060,000)	(638,828)	1,421,172	(3,466,334)
Other financing sources (uses)				
Bond issue	—	—	—	8,000,000
Transfers (out) – Debt Service Fund	(1,140,000)	(1,045,000)	95,000	(1,167,644)
Total other financing sources (uses)	(1,140,000)	(1,045,000)	95,000	6,832,356
Net change in fund balances	(3,200,000)	(1,683,828)	1,516,172	3,366,022
Fund balance, beginning of year	2,403,108	2,403,108	—	(962,914)
Fund balance, end of year	\$ (796,892)	\$ 719,280	\$ 1,516,172	\$ 2,403,108

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DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on certain general long-term debt of the City, other than debt service payments financed by proprietary fund types.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

DEBT SERVICE FUND

STORMWATER BOND
BALANCE SHEET

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Total assets	<u>\$ —</u>	<u>\$ —</u>
Liabilities and Fund Balance		
Fund Balance:		
Reserved for debt service	<u>\$ —</u>	<u>\$ —</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ —</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

DEBT SERVICE FUND

STORMWATER BOND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2006
(With comparative actual amounts for June 30, 2005)

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Revenue				
Use of money and property:				
Interest on investments	\$ —	\$ —	\$ —	\$ —
Total revenue	—	—	—	—
Expenditures				
Debt Service:				
Principal	882,987	810,661	72,326	853,040
Interest	257,013	234,339	22,674	286,960
Fiscal agent fees	—	—	—	27,644
Total expenditures	1,140,000	1,045,000	95,000	1,167,644
Excess (deficiency) of revenue over (under) expenditures	(1,140,000)	(1,045,000)	95,000	(1,167,644)
Other Financing Sources (Uses)				
Transfers in – Special Revenue Fund	1,140,000	1,045,000	(95,000)	1,167,644
Total other financing sources (uses)	1,140,000	1,045,000	(95,000)	1,167,644
Net change in fund balances	—	—	—	—
Fund balance, beginning of year	—	—	—	—
Fund balance, end of year	\$ —	\$ —	\$ —	\$ —

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CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities that are not financed by proprietary funds or trust funds.

- Capital Improvement Fund:** To account for financial resources to be used for capital asset replacements, acquisitions and improvements.
- Street Improvement Fund:** To account for financial resources to be used for paving unpaved streets in the City.
- Beach Renourishment Fund:** To account for financial resources to be used for renourishing the beach.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CAPITAL PROJECTS FUND

CAPITAL IMPROVEMENT FUND
BALANCE SEET

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Total assets	\$ —	\$ —
Liabilities and Fund Balance		
Liabilities:		
Due to General Fund	\$ 614,267	\$ 749,860
Total liabilities	<u>614,267</u>	<u>749,860</u>
Fund balance:		
Unreserved/undesignated (deficit)	<u>(614,267)</u>	<u>(749,860)</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ —</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CAPITAL PROJECTS FUND

CAPITAL IMPROVEMENT FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2006

(With comparative actual amounts for June 30, 2005)

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Revenue				
Use of money and property:				
Surplus sales	\$ 20,000	\$ 53,562	\$ 33,562	\$ 44,848
Proceeds from sale of capital assets	—	16,000	16,000	487,283
Restricted intergovernmental:				
SCDHEC grant	—	—	—	125,000
Sales and services:				
Development fees	—	4,500	4,500	80,325
Surety bond proceeds	—	—	—	10,000
Contribution in aid of construction	—	—	—	900,000
Total revenue	<u>20,000</u>	<u>74,062</u>	<u>54,062</u>	<u>1,647,456</u>
Expenditures				
Public works:				
Municipal building	233,580	111,049	122,531	1,506,116
Cherry Grove project	—	61,000	(61,000)	—
Other equipment	—	—	—	15,498
Total expenditures	<u>233,580</u>	<u>172,049</u>	<u>61,531</u>	<u>1,521,614</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(213,580)</u>	<u>(97,987)</u>	<u>115,593</u>	<u>125,842</u>
Other Financing Sources (Uses)				
Transfers (out)	233,580	233,580	—	(483,000)
Total other financing sources (uses)	<u>233,580</u>	<u>233,580</u>	<u>—</u>	<u>(483,000)</u>
Net change in fund balances	20,000	135,593	115,593	(357,158)
Fund balance, beginning of year	(749,860)	(749,860)	—	(392,702)
Fund balance, end of year	<u>\$ (729,860)</u>	<u>\$ (614,267)</u>	<u>\$ 115,593</u>	<u>\$ (749,860)</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CAPITAL PROJECTS FUND

STREET IMPROVEMENT FUND
BALANCE SHEET

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Equity in pooled cash and cash equivalents	\$ 994,261	\$ 1,378,545
Total assets	<u>\$ 994,261</u>	<u>\$ 1,378,545</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 210,719	\$ 43,839
Retainage payable	75,312	25,530
Due to General Fund	—	160,463
Total liabilities	<u>286,031</u>	<u>229,832</u>
Fund balance:		
Unreserved/undesignated	<u>708,230</u>	<u>1,148,713</u>
Total liabilities and fund balance	<u>\$ 994,261</u>	<u>\$ 1,378,545</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CAPITAL PROJECTS FUND

STREET IMPROVEMENT FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2006

(With comparative actual amounts for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Neg.)	Actual
Revenue				
Use of money and property:				
Interest on investments	\$ 20,000	\$ 67,199	\$ 47,199	\$ 9,487
Restricted intergovernmental:				
Horry County Road Fee	—	75,000	75,000	201,756
SCDOT road grants	300,000	300,000	—	403,681
Santee Cooper grants	200,000	212,704	12,704	609,136
Sales and services charges:				
Miscellaneous revenue	65,000	—	(65,000)	2,000
Forfeited construction bonds	—	—	—	667,082
Construction for public use	—	162,720	162,720	—
Total revenue	585,000	817,623	232,623	1,893,142
Expenditures				
Public works:				
Street paving – roads	734,325	975,266	(240,941)	36,469
Resurfacing – roads	150,000	50,457	99,543	177,100
Beach access improvements	50,000	—	50,000	—
Parking lot improvements	—	—	—	53,881
Sidewalks	300,000	97,049	202,951	176,602
Underground utilities	50,000	69,670	(19,670)	753,436
Verizon underground utilities	—	173,771	(173,771)	—
Intersection improvements	150,000	541,893	(391,893)	64,617
Total expenditures	1,434,325	1,908,106	(473,781)	1,262,105
Excess (deficiency) of revenue over (under) expenditures	(849,325)	(1,090,483)	(241,158)	631,037
Other Financing Sources (Uses)				
Transfers in	650,000	650,000	—	600,000
Total other financing sources (uses)	650,000	650,000	—	600,000
Net change in fund balances	(199,325)	(440,483)	(241,158)	1,231,037
Fund balance, beginning of year	1,148,713	1,148,713	—	(82,324)
Fund balance, end of year	\$ 949,388	\$ 708,230	\$ (241,158)	\$ 1,148,713

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CAPITAL PROJECTS FUND

BEACH RENOURISHMENT FUND
BALANCE SHEET

JUNE 30, 2006

(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Equity in pooled cash and cash equivalents	\$ 881,417	\$ 895,331
Total assets	<u>\$ 881,417</u>	<u>\$ 895,331</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ —	\$ 130
Total liabilities	<u>—</u>	<u>130</u>
Fund Balance:		
Reserved for Shore Protection Project	<u>881,417</u>	<u>895,201</u>
Total liabilities and fund balance	<u>\$ 881,417</u>	<u>\$ 895,331</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CAPITAL PROJECTS FUND

BEACH RENOURISHMENT FUND
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2006
 (With comparative actual amounts for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Neg.)	Actual
Revenue				
Use of money and property:				
Interest on investments	\$ —	\$ 31,730	\$ 31,730	\$ 16,523
Total revenue	—	31,730	31,730	16,523
Expenditures				
Public works:				
Materials and supplies	—	1,862	(1,862)	55,329
Professional services	—	43,652	(43,652)	—
Total expenditures	—	45,514	(45,514)	55,329
Net change in fund balances	—	(13,784)	(13,784)	(38,806)
Fund balance, beginning of year	895,201	895,201	—	934,007
Fund balance, end of year	\$ 895,201	\$ 881,417	\$ (13,784)	\$ 895,201

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ENTERPRISE FUND

Enterprise Funds are to be used to account for operations that are financed and operated in a manner similar to private sector businesses where the intent of the governing body is that the costs (including depreciation) of providing goods or services primarily or solely to the general public be financed or recovered primarily through user charges.

Water and Sewer Utility:

To account for all financial resources associated with supplying water and providing sewage services to domestic, business, and industrial customers within the North Myrtle Beach area.

Solid Waste:

To account for all revenues and expenses related to the City's solid waste activities.

Aquatic Center:

To account for all revenues and expenses related to the operating of the City's aquatic center.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

WATER AND SEWER UTILITY
BALANCE SHEET

JUNE 30, 2006

(With comparative amounts for June 30, 2005)

	2006	2005		2006	2005
Assets			Liabilities and Net Assets		
Current assets:			Current liabilities:		
Cash and cash equivalents	41,712	40,006	Accounts payable-trade	737,666	552,282
Equity in pooled cash and cash equivalents	1,416	1,359	Accrued payroll and related taxes	51,413	99,986
Accounts receivable, net	47,728	45,450	Accrued compensated absences	123,477	64,188
Inventories	1,566,397	1,566,397	Insurance claims payable, net	64,554	641,428
	6,853,754	6,573,294	Contracts payable-current portion	658,333	641,428
	76,745	74,043	Due to other funds	685,647	1,409,461
Restricted assets:				2,321,090	225,000
Cash and cash equivalents:	152,708	146,768	Current liabilities payable from restricted assets:	231,610	225,000
Depreciation funds	12,369,440	7,423,937	Construction and retainage payable	235,000	6,223
Contingent funds	396,822	295,546	Revenue bonds payable	4,749	1,574,763
Impact fees	21,506,722	16,166,800	Accrued interest payable	1,727,840	3,485,625
Deposits with the City of Myrtle Beach	26,341,466	20,858,932	Meter deposits and other	5,248,077	5,291,611
Total current assets	227,014	76,075	Deferred tap and impact fees	7,447,276	6,701,072
	668,218	668,218	Total current liabilities	9,768,366	725,000
Capital assets:			Long-term liabilities:		
Land	73,780,438	70,503,427	Revenue bonds	490,000	12,790,000
Buildings	862,804	747,250	Contracts payable	12,131,667	13,515,000
Water and sewer systems	1,779,680	1,450,887	Total long-term liabilities	12,621,667	20,216,072
Automotive equipment	1,325,788	1,009,043			
Maintenance equipment	3,045,843	542,658	Net Assets:		
Office equipment	81,689,785	74,997,558	Invested in capital assets, net of related debt	58,044,041	53,630,076
Construction in progress	(22,684,385)	(20,411,259)	Restricted debt service, capacity and deposits	14,530,805	11,100,189
Less, accumulated depreciation	59,005,400	54,586,299	Unrestricted	8,677,845	9,679,133
Net capital assets	14,763	19,973	Total net assets	81,252,691	74,409,398
Deferred charges:			Total liabilities and net assets	\$ 103,642,724	\$ 94,625,470
Unamortized bond issuance costs	18,281,095	19,160,266			
Unamortized cost of purchased water/sewer rights	18,295,858	19,180,239			
Total deferred charges	\$ 103,642,724	\$ 94,625,470			
Total assets					

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

WATER AND SEWER UTILITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS –
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006
(With comparative actual amounts for June 30, 2005)

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Operating Revenue				
Sales and service charges:				
Water usage fees	\$ 5,500,000	\$ 5,620,439	\$ 120,439	\$ 5,128,485
Sewer usage fees	3,925,000	3,582,574	(342,426)	3,622,338
Water taps	175,000	254,710	79,710	199,092
Sewer taps	60,000	191,022	131,022	57,144
Late payment penalties and service charges	115,000	134,644	19,644	119,714
Construction for public use	50,000	56,760	6,760	—
Miscellaneous	—	(6,694)	(6,694)	687
Total operating revenue	9,825,000	9,833,455	8,455	9,127,460
Operating Expenses				
General Government Administration				
Overhead allocation-				
General services	427,040	868,387	(441,347)	463,147
Legislative	57,810	69,534	(11,724)	60,960
Administrative	127,537	118,141	9,396	160,154
Legal	114,723	134,717	(19,994)	145,729
Personnel	83,937	99,257	(15,320)	72,819
Total general government administration	811,047	1,290,036	(478,989)	902,809
Finance				
Overhead allocation-				
Accounting	168,924	160,330	8,594	143,684
Information services	194,793	190,758	4,035	148,205
	363,717	351,088	12,629	291,889
Public Safety				
Overhead allocation-				
Communications	50,838	49,084	1,754	48,806
Planning/Development				
Overhead allocation-				
Code enforcement	38,553	39,551	(998)	36,887
Public Works				
Administrative:				
Personal services	565,284	552,096	13,188	533,166
Operating expenses	68,500	50,762	17,738	54,806
Overhead allocation	(95,068)	(90,428)	(4,640)	(88,196)
	538,716	512,430	26,286	499,776

— CONTINUED —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

WATER AND SEWER UTILITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

— CONTINUED —

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Operating Expenses (Continued)				
Public Works (continued)				
Utility billing:				
Personal services	365,062	341,301	23,761	340,726
Operating expenses	92,275	103,838	(11,563)	95,327
Overhead allocation	(45,734)	(44,378)	(1,356)	(43,605)
	<u>411,603</u>	<u>400,761</u>	<u>10,842</u>	<u>392,448</u>
Wastewater treatment:				
Personal services	346,059	331,169	14,890	310,946
Operating expenses	704,375	735,756	(31,381)	538,060
	<u>1,050,434</u>	<u>1,066,925</u>	<u>(16,491)</u>	<u>849,006</u>
Wells/lifts maintenance:				
Personal services	531,922	525,044	6,878	521,443
Operating expenses	708,100	911,472	(203,372)	750,543
	<u>1,240,022</u>	<u>1,436,516</u>	<u>(196,494)</u>	<u>1,271,986</u>
Construction/maintenance:				
Personal services	838,660	875,482	(36,822)	810,424
Operating expenses	1,452,450	2,034,612	(582,162)	2,058,081
	<u>2,291,110</u>	<u>2,910,094</u>	<u>(618,984)</u>	<u>2,868,505</u>
Streets/drainage:				
Overhead allocation	162,228	172,109	(9,881)	167,468
Total public works	<u>5,694,113</u>	<u>6,498,835</u>	<u>(804,722)</u>	<u>6,049,189</u>
Support Services				
Overhead allocation-				
Custodial	92,564	131,243	(38,679)	75,343
Purchasing	202,846	196,643	6,203	177,499
Fleet management	50,323	49,738	585	49,971
Total support services	<u>345,733</u>	<u>377,624</u>	<u>(31,891)</u>	<u>302,813</u>
Depreciation and amortization expense	2,772,000	3,171,721	(399,721)	2,992,863
Total operating expenses	<u>10,076,001</u>	<u>11,777,939</u>	<u>(1,701,938)</u>	<u>10,625,256</u>
Operating income (loss)	<u>(251,001)</u>	<u>(1,944,484)</u>	<u>(1,693,483)</u>	<u>(1,497,796)</u>
Non-operating Revenue (Expenses)				
Interest earned on investments	275,000	894,269	619,269	309,142
Interest expense	(725,000)	(689,915)	35,085	(796,392)
Amortization of bond issuance costs	—	(5,210)	(5,210)	(5,210)
Bond agent fees	(5,000)	(5,116)	(116)	(3,498)
Restricted governmental – FEMA grant	—	8,597	8,597	—
Tower rental and other	100,000	188,796	88,796	161,214
Total non-operating revenue (expenses)	<u>(355,000)</u>	<u>391,421</u>	<u>746,421</u>	<u>(334,744)</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

WATER AND SEWER UTILITY
 SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
 BUDGET AND ACTUAL

— CONTINUED —

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Capital Contributions				
Impact fees	4,700,000	5,775,298	1,075,298	3,453,475
Developer contributions	—	2,614,308	2,614,308	1,241,095
Extension fees and other	—	6,750	6,750	238,077
Total capital contributions	<u>4,700,000</u>	<u>8,396,356</u>	<u>3,696,356</u>	<u>4,932,647</u>
Change in net assets	4,093,999	6,843,293	2,749,294	3,100,107
Net assets, beginning of year	74,409,398	74,409,398	—	71,309,291
Net assets, end of year	<u>\$ 78,503,397</u>	<u>\$ 81,252,691</u>	<u>\$ 2,749,294</u>	<u>\$ 74,409,398</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

SOLID WASTE
BALANCE SHEET

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Current assets:		
Equity in pooled cash and cash equivalents	\$ —	\$ 10,460
Accounts receivable, net	96,430	119,019
Due from other governments	—	18,000
Total current assets	<u>96,430</u>	<u>147,479</u>
Capital assets:		
Buildings	313,200	313,200
Improvements	21,842	21,842
Vehicles and equipment	3,753,608	3,709,020
	<u>4,088,650</u>	<u>4,044,062</u>
Less, accumulated depreciation	(3,127,735)	(3,084,812)
Net capital assets	<u>960,915</u>	<u>959,250</u>
Total assets	<u>\$ 1,057,345</u>	<u>\$ 1,106,729</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 63,608	\$ 58,192
Accrued payroll and related taxes	25,403	23,815
Medical claims payable	3,388	3,212
Accrued compensated absences	75,045	59,604
Due to General Fund	1,031,084	989,691
Total current liabilities	<u>1,198,528</u>	<u>1,134,514</u>
Net assets:		
Investment in capital assets	960,915	959,250
Unrestricted (deficit)	(1,102,098)	(987,035)
Total net assets	<u>(141,183)</u>	<u>(27,785)</u>
Total liabilities and net assets	<u>\$ 1,057,345</u>	<u>\$ 1,106,729</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

SOLID WASTE
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006
(With comparative actual amounts for June 30, 2005)

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Operating Revenue				
Sales and service charges:				
Solid waste user fees and penalties	\$ 2,628,000	\$ 2,628,832	\$ 832	\$ 2,583,789
Trash bags	12,000	17,425	5,425	16,875
Miscellaneous	—	500	500	—
Total operating revenue	<u>2,640,000</u>	<u>2,646,757</u>	<u>6,757</u>	<u>2,600,664</u>
Operating Expenses				
General government administration				
Overhead allocation -				
General services	65,699	133,598	(67,899)	92,629
Legislative	7,708	9,271	(1,563)	10,602
Administration	17,005	15,752	1,253	27,853
Legal	15,296	17,962	(2,666)	25,344
Personnel	33,574	39,703	(6,129)	29,128
Insurance	35,063	34,336	727	35,569
Total general government administration	<u>174,345</u>	<u>250,622</u>	<u>(76,277)</u>	<u>221,125</u>
Finance				
Overhead allocation	<u>30,406</u>	<u>28,859</u>	<u>1,547</u>	<u>34,484</u>
Public works				
Overhead allocation	<u>95,068</u>	<u>90,429</u>	<u>4,639</u>	<u>88,196</u>
Utility billings:				
Overhead allocation	<u>45,734</u>	<u>44,378</u>	<u>1,356</u>	<u>43,605</u>
Commercial collection:				
Personal services	206,469	209,054	(2,585)	373,407
Operating	103,000	126,298	(23,298)	103,091
	<u>309,469</u>	<u>335,352</u>	<u>(25,883)</u>	<u>476,498</u>
Transfer station:				
Personal services	149,551	146,007	3,544	140,615
Operating	566,250	568,905	(2,655)	542,150
	<u>715,801</u>	<u>714,912</u>	<u>889</u>	<u>682,765</u>
Residential collections:				
Personal services	515,159	531,188	(16,029)	373,160
Operating	51,250	140,976	(89,726)	108,342
	<u>566,409</u>	<u>672,164</u>	<u>(105,755)</u>	<u>481,502</u>

— CONTINUED —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

SOLID WASTE
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

— CONTINUED —

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Operating Expenses (continued)				
Public works (continued)				
Trash/litter collections:				
Personal services	117,467	151,767	(34,300)	101,189
Operating	22,200	35,917	(13,717)	37,423
	<u>139,667</u>	<u>187,684</u>	<u>(48,017)</u>	<u>138,612</u>
Beach cleaning:				
Personal services	113,823	65,861	47,962	78,252
Operating	32,450	36,543	(4,093)	22,276
	<u>146,273</u>	<u>102,404</u>	<u>43,869</u>	<u>100,528</u>
Recycling:				
Personal services	177,566	184,890	(7,324)	177,678
Operating	53,785	42,328	11,457	74,667
	<u>231,351</u>	<u>227,218</u>	<u>4,133</u>	<u>252,345</u>
Total public works	<u>2,249,772</u>	<u>2,374,541</u>	<u>(124,769)</u>	<u>2,264,051</u>
Support services				
Overhead allocations -				
Purchasing	15,910	15,423	487	27,843
Fleet management	62,904	62,173	731	62,464
Custodial	11,108	15,749	(4,641)	18,082
Total support services	<u>89,922</u>	<u>93,345</u>	<u>(3,423)</u>	<u>108,389</u>
Depreciation and amortization	<u>218,916</u>	<u>267,854</u>	<u>(48,938)</u>	<u>244,384</u>
Total operating expenses	<u>2,763,361</u>	<u>3,015,221</u>	<u>(251,860)</u>	<u>2,872,433</u>
Operating income (loss)	<u>(123,361)</u>	<u>(368,464)</u>	<u>(245,103)</u>	<u>(271,769)</u>
Non-operating Revenue (Expenses)				
Interest earned on investment	—	—	—	18,000
Restricted governmental:				
Grant - FEMA	—	61,252	61,252	—
Total non-operating revenue (expenses)	<u>—</u>	<u>61,252</u>	<u>61,252</u>	<u>18,000</u>
Transfers				
Transfer in-Accommodations Tax Fund	<u>193,814</u>	<u>193,814</u>	<u>—</u>	<u>167,494</u>
Change in net assets	70,453	(113,398)	(183,851)	(86,275)
Net assets, beginning of year	<u>(27,785)</u>	<u>(27,785)</u>	<u>—</u>	<u>58,490</u>
Net assets, end of year	<u>\$ 42,668</u>	<u>\$ (141,183)</u>	<u>\$ (183,851)</u>	<u>\$ (27,785)</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

AQUATIC CENTER
BALANCE SHEET

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 653,939	\$ 136,120
Accounts receivable	1,044	—
Due from local accommodations tax fund	125,912	—
Restricted assets:		
Cash and cash equivalents – project fund	—	3,217,642
Total current assets	<u>780,895</u>	<u>3,353,762</u>
Capital assets:		
Buildings	9,700,878	—
Improvements	1,439	—
Furniture and equipment	630,532	—
Construction-in-progress	—	7,474,932
	<u>10,332,849</u>	<u>7,474,932</u>
Less, accumulated depreciation	(184,290)	—
Net capital assets	<u>10,148,559</u>	<u>7,474,932</u>
Deferred charges:		
Debt issuance costs	68,721	68,721
Less, accumulated amortization	(8,590)	(5,154)
Total deferred charges	<u>60,131</u>	<u>63,567</u>
Total assets	<u>\$ 10,989,585</u>	<u>\$ 10,892,261</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 41,956	\$ —
Accrued payroll and related taxes	18,792	168
Medical claims payable	1,473	—
Accrued compensated absences	11,796	151
Due to General Fund	1,130,535	70,467
Accrued interest payable	164,341	214,802
Current portion of note obligation	309,737	297,538
Deferred revenue	239,713	49,528
Total current liabilities	<u>1,918,343</u>	<u>632,654</u>
Current liabilities payable from restricted assets	—	1,044,621
Long-term liabilities:		
Note obligation	7,706,906	8,016,643
Total liabilities	<u>9,625,249</u>	<u>9,693,918</u>
Net assets:		
Invested in capital assets, net of related debt	1,967,575	2,163,591
Unrestricted (deficit)	(603,239)	(965,248)
Total net assets	<u>1,364,336</u>	<u>1,198,343</u>
Total liabilities and net assets	<u>\$ 10,989,585</u>	<u>\$ 10,892,261</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

AQUATIC CENTER
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006
(With comparative actual amounts for June 30, 2005)

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Operating Revenue				
Sales and service charges:				
Membership fee	\$ 758,300	\$ 392,049	\$ (366,251)	\$ —
Day membership fee	81,000	6,950	(74,050)	—
Employee membership fees	—	55,903	55,903	—
Enrollment fee	101,400	97,065	(4,335)	—
Program fee	29,400	60,955	31,555	—
Merchandise sales	—	16,478	16,478	—
Miscellaneous	25,244	1,692	(23,552)	100
Total operating revenue	995,344	631,092	(364,252)	100
Operating Expenses				
General government administration				
Overhead allocation -				
General services	43,799	89,065	(45,266)	—
Legislative	5,139	6,181	(1,042)	—
Administration	11,337	10,501	836	—
Legal	10,198	11,975	(1,777)	—
Personnel	16,787	19,851	(3,064)	—
Insurance	11,688	11,445	243	—
Total general government administration	98,948	149,018	(50,070)	—
Finance				
Overhead allocation	20,271	19,240	1,031	—
Parks and recreation:				
Personnel services	642,806	636,486	6,320	7,478
Operations and maintenance	290,325	450,978	(160,653)	152,235
Total operating expenses	933,131	1,087,464	(154,333)	159,713
Support services				
Overhead allocations -				
Purchasing	15,910	15,423	487	—
Custodial	11,108	15,749	(4,641)	—
Total support services	27,018	31,172	(4,154)	—
Depreciation and amortization	128,436	184,291	(55,855)	—
Total operating expenses	1,207,804	1,471,185	(263,381)	159,713
Operating income (loss)	(212,460)	(840,093)	(627,633)	(159,613)

— CONTINUED —

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ENTERPRISE FUND

AQUATIC CENTER
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

— CONTINUED —

	2006		Variance Positive (Neg.)	2005
	Budget	Actual		Actual
Non-operating Revenue (Expenses)				
Interest earned on investments	5,000	34,454	29,454	—
Donation / fundraisers	107,500	247,782	140,282	82,099
Interest expense	—	(164,341)	(164,341)	—
Rental property	8,900	1,875	(7,025)	—
Sale of capital assets	75,000	—	(75,000)	—
Amortization of debt issuance costs	—	(3,436)	(3,436)	(3,436)
Restricted intergovernmental:				
DSS grants	100,000	124,176	24,176	108,090
Total non-operating revenue (expenses)	<u>296,400</u>	<u>240,510</u>	<u>(55,890)</u>	<u>186,753</u>
Transfers				
Transfers in:				
Local accommodations (1.5%) tax	—	—	—	27,100
Accommodations tax	70,714	70,714	—	—
Local accommodations (0.5%) tax	600,000	694,862	94,862	—
Hospitality (1%) fee	—	—	—	599,793
Capital projects fund	—	—	—	483,000
Transfer (out) – General capital assets	—	—	—	(569,326)
Total transfers	<u>670,714</u>	<u>765,576</u>	<u>94,862</u>	<u>540,567</u>
Change in net assets	754,654	165,993	(588,661)	567,707
Net assets, beginning of year	<u>1,198,343</u>	<u>1,198,343</u>	<u>—</u>	<u>630,636</u>
Net assets, end of year	<u>\$ 1,952,997</u>	<u>\$ 1,364,336</u>	<u>\$ (588,661)</u>	<u>\$ 1,198,343</u>

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FIDUCIARY FUNDS

Fiduciary Funds are trust and agency funds used to account for assets received and held by the City acting in the capacity of an agent or custodian. The City maintains the following trust and agency funds:

Pension Trust Funds

Money Purchase Pension Plan #1: To account for assets received and disbursed by the City as trustee in conjunction with the City of North Myrtle Beach 401(a) Plan for general employees and firefighters.

Money Purchase Pension Plan #2: To account for assets received and disbursed by the City as trustee in conjunction with the City of North Myrtle Beach 401(a) Plan for certain administrative employees.

Agency Fund

Firemen's Fund: To account for the accumulation of resources derived primarily from 1% of the premiums of foreign insurance companies, received from the state under Section 38-57-10 through 38-57-210 of the Code of Laws of South Carolina and to be expended for the sole benefit of the City's firemen.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
PENSION TRUST FUNDS — MONEY PURCHASE PENSION PLAN #1
STATEMENT OF PLAN ASSETS

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Cash and temporary investments	\$ 10,238,018	\$ 9,448,088
Participant loans	515,175	492,038
Total assets	<u>\$ 10,753,193</u>	<u>\$ 9,940,126</u>
Net Assets		
Held in trust for employee's pension benefits	<u>\$ 10,753,193</u>	<u>\$ 9,940,126</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

PENSION TRUST FUNDS — MONEY PURCHASE PENSION PLAN #1
STATEMENT OF CHANGES IN PLAN NET ASSETS

YEAR ENDED JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Additions		
Employer contributions	\$ 606,018	\$ 579,448
Employee (member) contributions	151,492	144,863
Investment income gain/(loss)	698,470	346,599
Non-vested rollover and loan overpayment	37,466	4,242
Total additions	<u>1,493,446</u>	<u>1,075,152</u>
Deductions		
Benefit payments/loan issuance costs	677,273	429,634
Trustee fees	3,106	2,822
Total deductions	<u>680,379</u>	<u>432,456</u>
Change in net assets	813,067	642,696
Net assets held in trust for employee's pension benefits:		
Beginning of year	<u>9,940,126</u>	<u>9,297,430</u>
End of year	<u>\$ 10,753,193</u>	<u>\$ 9,940,126</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
PENSION TRUST FUNDS - MONEY PURCHASE RETIREMENT PLAN #2
STATEMENT OF PLAN NET ASSETS

JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Cash and temporary investments	<u>\$ 280,344</u>	<u>\$ 259,812</u>
Net Assets		
Held in trust for employee's pension benefits	<u>\$ 280,344</u>	<u>\$ 259,812</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
PENSION TRUST FUNDS — MONEY PURCHASE RETIREMENT PLAN #2
STATEMENT OF CHANGES IN PLAN NET ASSETS

YEAR ENDED JUNE 30, 2006
(With comparative amounts for June 30, 2005)

	2006	2005
Additions		
Employer contributions	\$ 9,946	\$ 16,600
Employee (member) contributions	9,946	16,600
Investment income gain/(loss)	15,670	8,726
Total additions	35,562	41,926
Deductions		
Benefit payments	15,030	—
Total deductions	15,030	—
Change in net assets	20,532	41,926
Net assets held in trust for employee's pension benefits:		
Beginning of year	259,812	217,886
End of year	\$ 280,344	\$ 259,812

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
 AGENCY FUND
 FIREMEN'S FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 YEAR ENDED JUNE 30, 2006

	<u>Beginning Balance 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance 6/30/06</u>
Assets				
Cash and cash equivalents	<u>\$ 142,705</u>	<u>\$ 195,147</u>	<u>\$ 310,215</u>	<u>\$ 27,637</u>
Liabilities				
Due to Firemen's Association	<u>\$ 142,705</u>	<u>\$ 195,147</u>	<u>\$ 310,215</u>	<u>\$ 27,637</u>

CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS

These schedules presents only the capital asset balances (which include land, buildings, betterments, and equipment owned by the City) related to Governmental-type funds. Accordingly, the capital assets reported in Proprietary-type funds (Enterprise and Internal Service Funds) are excluded from these amounts. Infrastructure capital assets represent actual costs of construction, and/or estimated values of deeded properties by developers.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS BY SOURCE

JUNE 30, 2006

(With comparative amounts for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Governmental Funds Capital Assets		
Land	\$ 4,017,607	\$ 3,214,285
Land improvements	3,469,278	3,412,247
Buildings	16,320,847	16,320,847
Machinery and equipment	<u>11,232,956</u>	<u>9,388,565</u>
	<u>35,040,688</u>	<u>32,335,944</u>
Infrastructure:		
Roads	16,813,367	15,640,508
Drainage systems	11,720,596	11,465,049
Developer contributions – roads and drainage	4,059,234	4,059,234
Sidewalks	1,493,021	1,395,972
Street lighting and other	<u>397,873</u>	<u>224,102</u>
	<u>34,484,091</u>	<u>32,784,865</u>
Construction in progress	<u>6,178,989</u>	<u>3,807,945</u>
Total governmental funds capital assets	<u>\$ 75,703,768</u>	<u>\$ 68,928,754</u>
Investment in Governmental Funds Capital Assets by Source		
General Obligation Bonds	\$ 13,286,470	\$ 13,286,471
General Fund Revenue	51,622,280	45,102,814
Special Revenue Funds	6,691,783	6,436,235
Gifts and contributions from developers	<u>4,103,235</u>	<u>4,103,234</u>
Total investment in governmental funds capital assets	<u>\$ 75,703,768</u>	<u>\$ 68,928,754</u>

VICTIMS' RIGHTS PROGRAM

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
 SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
 YEAR ENDED JUNE 30, 2006

	2006
Court Fines and Assessments	
Court fines and assessments collected	\$ 1,227,568
Court fines and assessments remitted to State Treasurer	(670,868)
Total court fines and assessments retained	\$ 556,700
Surcharges and Assessments Retained for Victims Service	
Total surcharges collected	\$ 42,280
Total assessments	14,870
Total surcharges and assessments	\$ 57,150
Funds Allocated to Victims Service	
Carryover funds from prior year	\$ 81,733
Surcharges and assessments retained	57,150
Expenditures for victims service	(55,893)
Total unexpended victims rights assistance funds	\$ 82,990

STATISTICAL SECTION

Financial Trend - These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.....94-100

Revenue Capacity - These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property tax revenue.....101-104

Debt Capacity - These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.....105-109

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments....110-112

Operating Information - These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.....113-114

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TABLE I

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

NET ASSETS BY COMPONENT
(Accrual basis of accounting)

LAST FIVE FISCAL YEARS

	2006	2005	2004	2003	2002
Governmental Activities					
Invested in capital assets, net of related debt	\$ 47,153,263	\$ 39,973,658	\$ 40,839,787	\$ 35,428,857	\$ 30,947,802
Restricted	1,063,240	1,049,601	1,098,748	1,141,465	1,734,199
Unrestricted	11,666,720	13,011,400	6,841,785	8,274,940	8,258,264
Total governmental activities net assets	<u>\$ 59,883,223</u>	<u>\$ 54,034,659</u>	<u>\$ 48,780,320</u>	<u>\$ 44,845,262</u>	<u>\$ 40,940,265</u>
Business-type Activities					
Invested in capital assets, net of related debt	\$ 60,972,531	\$ 56,752,917	\$ 54,705,351	\$ 49,616,367	\$ 48,425,947
Restricted	14,530,805	11,100,189	8,755,316	12,604,894	11,183,918
Unrestricted	6,972,508	7,726,850	8,537,750	2,809,111	3,004,937
Total business-type activities net assets	<u>\$ 82,475,844</u>	<u>\$ 75,579,956</u>	<u>\$ 71,998,417</u>	<u>\$ 65,030,372</u>	<u>\$ 62,614,802</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 108,125,794	\$ 96,726,575	\$ 95,545,138	\$ 85,045,224	\$ 79,373,749
Restricted	15,594,045	12,149,790	9,854,064	13,746,359	12,918,117
Unrestricted	18,639,228	20,738,250	15,379,535	11,084,051	11,263,201
Total primary government net assets	<u>\$ 142,359,067</u>	<u>\$ 129,614,615</u>	<u>\$ 120,778,737</u>	<u>\$ 109,875,634</u>	<u>\$ 103,555,067</u>

Note: The City did not previously prepare this schedule and chooses to implement such data prospective of implementing GASB Statement 34.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CHANGES IN NET ASSETS
(Accrual basis of accounting)

LAST FIVE FISCAL YEARS

	2006	2005	2004	2003	2002
Expenses					
Governmental activities:					
General Government	\$ 1,161,528	\$ 1,459,140	\$ 1,548,044	\$ 1,625,528	\$ 1,254,936
Finance	780,200	747,756	685,707	615,604	495,969
Public Safety	9,363,496	8,870,555	7,898,923	7,542,528	6,771,191
Planning and Development	1,464,816	1,315,645	1,121,542	1,031,627	964,970
Public Works	1,815,327	2,736,392	2,159,477	1,398,521	5,561,034
Parks and Recreation	2,594,537	2,403,297	1,988,628	2,130,942	1,951,975
Support Services	571,110	475,183	611,112	386,769	289,825
Debt service - interest	375,076	546,175	306,896	541,585	659,225
Depreciation (unallocated)	2,685,978	2,588,902	2,407,554	2,242,844	1,895,985
Total governmental activities	\$ 20,812,068	\$ 21,143,045	\$ 18,727,883	\$ 17,515,948	\$ 19,845,110
Business-type activities:					
Water and sewer utility	\$ 12,478,180	\$ 11,430,356	\$ 10,015,661	\$ 9,515,558	\$ 8,506,615
Solid waste	3,015,221	2,872,433	2,723,065	2,593,302	2,649,677
Aquatic Center	1,638,962	163,149	35,985	-	-
Total business type-activities	\$ 17,132,363	\$ 14,465,938	\$ 12,774,711	\$ 12,108,860	\$ 11,156,292
Total primary government expenses	\$ 37,944,431	\$ 35,608,983	\$ 31,502,594	\$ 29,624,808	\$ 31,001,402
Program Revenue					
Governmental activities:					
Fees for services	\$ 2,838,608	\$ 3,606,213	\$ 3,005,719	\$ 3,039,103	\$ 2,649,658
Operating grants and contributions	61,404	154,959	1,205,168	893,912	2,128,113
Capital grants and contributions	587,704	2,998,980	768,155	61,315	136,210
Total primary government net assets	\$ 3,487,716	\$ 6,760,152	\$ 4,979,042	\$ 3,994,330	\$ 4,913,981
Business-type activities					
Fees for services	\$ 13,301,975	\$ 11,810,323	\$ 11,154,342	\$ 10,716,630	\$ 9,314,791
Operating grants and contributions	194,025	-	378,151	-	-
Capital grants and contributions	8,644,138	5,040,737	7,498,495	3,264,897	5,897,616
Total business-type activities	\$ 22,140,138	\$ 16,851,060	\$ 19,030,988	\$ 13,981,527	\$ 15,212,407
Total primary government program revenue	\$ 25,627,854	\$ 23,611,212	\$ 24,010,030	\$ 17,975,857	\$ 20,126,388

CONTINUED

TABLE II (cont'd)

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CHANGES IN NET ASSETS
(Accrual basis of accounting)

LAST FIVE FISCAL YEARS

	2006	2005	2004	2003	2002
General Revenues and Transfers					
Governmental activities:					
Property taxes	\$ 7,440,462	\$ 6,883,489	\$ 6,453,278	\$ 6,445,385	\$ 5,701,861
Accommodations and hospitality taxes	6,246,427	5,446,357	3,180,602	3,172,527	2,649,080
State shared taxes	955,045	891,991	2,452,909	1,572,791	1,719,053
Business licenses and franchise taxes	8,878,631	6,186,665	4,928,605	4,374,125	4,062,520
Unrestricted investment earnings	676,842	901,987	817,312	1,970,661	6,281,584
Miscellaneous	(65,101)	34,804	208,987	16,126	1,193,796
Transfers in/(out)	(959,390)	(708,061)	(357,794)	(125,000)	(312,300)
Total governmental activities	\$ 23,172,916	\$ 19,637,232	\$ 17,683,899	\$ 17,426,615	\$ 21,295,594
Business-type activities:					
Unrestricted investment earnings	\$ 928,723	\$ 327,142	\$ 201,315	\$ 293,442	\$ 416,260
Miscellaneous	-	161,124	152,659	124,461	110,537
Transfers in/(out)	959,390	708,061	357,794	125,000	312,300
Total business type-activities	\$ 1,888,113	\$ 1,196,327	\$ 711,768	\$ 542,903	\$ 839,097
Total primary government general revenue and other changes	\$ 25,061,029	\$ 20,833,559	\$ 18,395,667	\$ 17,969,518	\$ 22,134,691
Changes in Net Assets					
Governmental activities:					
Business-type activities	\$ 5,848,564	\$ 5,254,339	\$ 3,935,058	\$ 3,904,997	\$ 6,364,465
Total primary government changes in net assets	\$ 6,895,888	\$ 3,581,539	\$ 6,968,045	\$ 2,415,570	\$ 4,895,212
	\$ 12,744,452	\$ 8,835,878	\$ 10,903,103	\$ 6,320,567	\$ 11,259,677

Note: The City did not previously prepare this schedule and chooses to implement such data prospective of implementing GASB Statement 34.

TABLE III

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

PROGRAM REVENUE BY COMPONENT
(Accrual basis of accounting)

LAST FIVE FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Function/Program					
Governmental Activities:					
General Government	\$ 31,045	\$ 14,050	\$ 12,641	\$ 13,607	\$ 11,260
Finance	-	-	-	-	-
Public Safety	765,829	674,464	563,149	1,015,492	1,076,764
Planning and Development	-	1,206,264	948,572	661,942	584,555
Public Works	2,473,145	4,744,984	3,323,816	2,087,037	1,525,983
Parks and Recreation	217,697	95,590	130,864	216,252	1,715,419
Support Services	-	24,800	-	-	-
Debt service - interest	-	-	-	-	-
Depreciation (unallocated)	-	-	-	-	-
Total governmental activities	<u>\$ 3,487,716</u>	<u>\$ 6,760,152</u>	<u>\$ 4,979,042</u>	<u>\$ 3,994,330</u>	<u>\$ 4,913,981</u>
Business-type activities					
Water and sewer utility	\$ 18,427,204	\$ 14,060,107	\$ 16,390,619	\$ 11,667,124	\$ 13,269,057
Solid waste	2,708,009	2,600,664	2,196,194	2,314,403	1,943,350
Aquatic Center	1,004,925	190,289	444,175	-	-
Total business-type activities	<u>\$ 22,140,138</u>	<u>\$ 16,851,060</u>	<u>\$ 19,030,988</u>	<u>\$ 13,981,527</u>	<u>\$ 15,212,407</u>
Total program revenue by function and program	<u>\$ 25,627,854</u>	<u>\$ 23,611,212</u>	<u>\$ 24,010,030</u>	<u>\$ 17,975,857</u>	<u>\$ 20,126,388</u>

Note: The City did not previously prepare this schedule and chooses to implement such data prospective of implementing GASB Statement 34.

TABLE IV

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

FUND BALANCES
GOVERNMENTAL FUNDS
(Modified accrual basis of accounting)

LAST FIVE FISCAL YEARS

	2006	2005	2004	2003	2002
General Fund					
Reserved	\$ 384,862	\$ 334,518	\$ 469,348	\$ 333,134	\$ 424,225
Unrestricted	12,796,645	10,077,585	8,371,324	7,246,842	8,133,014
Total general fund	\$ 13,181,507	\$ 10,412,103	\$ 8,840,672	\$ 7,579,976	\$ 8,557,239
All Other Governmental Funds					
Reserved, reported in:					
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service funds	881,417	895,201	934,007	927,187	1,413,102
Capital projects funds	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	505,661	276,707	(748,534)	2,652,323	1,533,842
Capital projects funds	93,963	398,853	(475,026)	(1,294,144)	(1,152,283)
Total all other governmental funds	\$ 1,481,041	\$ 1,570,761	\$ (289,553)	\$ 2,285,366	\$ 1,794,661
Total primary government	\$ 14,662,548	\$ 11,982,864	\$ 8,551,119	\$ 9,865,342	\$ 10,351,900
Primary Government					
Invested in capital assets, net of related debt	\$ 108,125,794	\$ 96,726,575	\$ 95,545,138	\$ 85,045,224	\$ 79,373,749
Restricted	15,594,045	12,149,790	9,854,064	13,746,359	12,918,117
Unrestricted	18,639,228	20,738,250	15,379,535	11,084,051	11,263,201
Total primary government net assets	\$ 142,359,067	\$ 129,614,615	\$ 120,778,737	\$ 109,875,634	\$ 103,555,067

Note: The City did not previously prepare this schedule and chooses to implement such data prospective of implementing GASB Statement 34.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Modified accrual basis of accounting)

LAST FIVE FISCAL YEARS

	2006	2005	2004	2003	2002
Revenue					
Property taxes:					
Current property taxes	\$ 7,504,632	\$ 6,634,370	\$ 6,374,997	\$ 5,690,453	\$ 6,673,734
Delinquent property taxes	145,756	39,194	78,281	161,604	140,536
Licenses and permits	8,878,631	7,392,929	8,940,899	8,094,828	7,296,155
Fines and forfeitures	667,589	559,298	443,370	624,318	507,169
Use of money and property	745,955	901,987	182,466	374,655	550,477
Unrestricted intergovernmental	955,045	891,991	820,928	593,328	606,644
Restricted intergovernmental	6,895,535	6,908,439	3,722,184	2,712,355	4,064,091
Sales and service charges	2,101,906	3,512,184	1,730,383	1,676,386	2,501,429
Miscellaneous	13,474	29,128	18,999	79,705	65,462
Total revenue	\$ 27,908,523	\$ 26,869,520	\$ 22,312,507	\$ 20,007,632	\$ 22,405,697

Expenditures

Current:					
General Government/Administration	\$ 1,031,253	\$ 1,459,140	\$ 1,548,044	\$ 1,625,528	\$ 1,231,814
Finance	780,200	747,756	685,707	615,604	495,969
Public Safety	9,363,496	8,870,555	7,898,923	7,542,528	6,771,191
Planning and Development	1,464,816	1,315,645	1,121,542	1,031,627	964,970
Public Works	5,899,802	9,237,747	7,756,124	3,266,970	6,674,278
Parks and Recreation	2,594,537	2,403,297	1,988,628	2,130,942	1,951,975
Support Services	571,110	475,183	449,463	393,686	289,825
Debt service:					
Principal	1,934,661	1,913,040	1,037,000	965,000	3,033,692
Interest	438,980	578,583	306,896	676,296	543,437
Capital outlay	3,849,922	782,834	667,157	2,147,009	1,609,741
Total expenditures	\$ 27,928,777	\$ 27,783,780	\$ 23,459,484	\$ 20,395,190	\$ 23,566,892

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CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

(Modified accrual basis of accounting)

LAST FIVE FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Other Financing Sources (Uses)					
Bond Issuance	\$ 1,975,000	\$ 8,000,000	\$ -	\$ 1,471,000	\$ -
Payment to refunded bond escrow agent		-	-	(1,445,000)	-
Transfers in	5,909,338	5,497,829	1,240,194	1,800,393	2,496,055
Transfers (out)	(6,868,728)	(6,748,216)	(1,407,440)	(1,925,393)	(2,808,355)
Total other financing sources (uses)	\$ 1,015,601	\$ 6,749,613	\$ (167,246)	\$ (99,000)	\$ (312,300)
Net change in fund balances	\$ 995,356	\$ 5,835,353	\$ (1,314,223)	\$ (486,558)	\$ (1,473,495)
Fund balances, beginning of year	14,386,472	8,551,119	9,865,342	10,351,900	11,825,395
Fund balances, end of year	\$ 15,381,828	\$ 14,386,472	\$ 8,551,119	\$ 9,865,342	\$ 10,351,900

Note: The City did not previously prepare this schedule and chooses to implement such data prospective of implementing GASB Statement 34.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real and Personal Property</u>			<u>Less: Tax-Exempt</u>	<u>Total Taxable Assessed Value</u>	<u>Direct Tax Rate</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed Value to Estimated Actual Value</u>
	<u>Real Estate</u>	<u>Personal</u>						
1997	\$ 82,353,527	\$ 16,350,346	\$ 921,894	\$ 97,781,979	0.0480	\$ 1,592,978,000	6.1	
1998	\$ 85,343,134	\$ 17,472,740	\$ 958,749	\$ 101,857,125	0.0480	\$ 1,697,600,000	6.0	
1999	\$ 90,933,427	\$ 19,686,817	\$ 1,008,556	\$ 109,611,688 ⁽¹⁾	0.0480	\$ 1,826,800,000	6.0	
2000	\$ 116,973,404	\$ 23,876,992	\$ 997,812	\$ 139,852,584	0.0387	\$ 2,331,360,000	6.0	
2001	\$ 131,859,611	\$ 18,845,977	\$ 2,367,773	\$ 148,337,815	0.0357	\$ 2,472,300,000	6.0	
2002	\$ 145,552,226	\$ 16,814,285	\$ 2,513,010	\$ 159,853,501	0.0357	\$ 2,664,225,000	6.0	
2003	\$ 154,520,238	\$ 14,201,408	\$ 2,761,058	\$ 165,960,588	0.0357	\$ 2,766,000,000	6.0	
2004	\$ 164,149,623	\$ 22,657,095	\$ 2,866,074	\$ 183,940,644	0.0357	\$ 3,015,420,000	6.1	
2005	\$ 167,743,316	\$ 24,534,360	\$ 2,867,679	\$ 189,409,997	0.0357	\$ 3,139,826,000	6.0	
2006	\$ 216,193,479	\$ 46,475,103	\$ 2,933,728	\$ 259,734,854 ⁽¹⁾	0.0305	\$ 4,248,137,000	6.1	

⁽¹⁾ Reassessment performed by Horry County.

TABLE VII

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)

<u>Fiscal Year</u>	<u>City Millage</u>	<u>County Millage</u>	<u>School District Millage</u>	<u>Higher Education Commission Millage</u>	<u>Total Millage</u>
1997	48.0	45.6	130.3	1.0	224.9
1998	48.0	46.6	128.3	1.0	223.9
1999	48.0	46.6	128.3	1.0	223.9
2000	38.7	40.2	113.0	0.7	192.6
2001	35.7	50.2	124.9	0.7	211.5
2002	35.7	50.2	124.9	0.7	211.5
2003	35.7	50.2	130.4	0.7	217.0
2004	35.7	51.0	130.0	0.7	217.4
2005	35.7	50.9	130.4	0.7	217.7
2006	30.5	52.0	129.7	0.7	212.9

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

PRINCIPAL PROPERTY TAX PAYERS

YEARS 2006 AND 1997

Taxpayer	Type of Business	2006			1997		
		Assessment	Rank	Percentage of Total Assessed Valuation	Assessment	Rank	Percentage of Total Assessed Valuation
		\$			\$		
Patten Resorts, Inc.	Condos - Shorecrest	2,357,178	1	0.91%	-	-	-
Lawyers Title Insurance Corp.	Condominium	2,079,906	2	0.80%	650,712	3	0.67%
Fairfield Resorts	Condos	1,767,828	3	0.68%	-	-	-
Barefoot Properties	Commercial - Retail	1,553,220	4	0.60%	-	-	-
THF Gator Hole	Commercial	1,498,842	5	0.58%	-	-	-
NSPS INC	Residential Development	1,179,832	6	0.45%	-	-	-
Centex Homes	Residential Development	1,089,053	7	0.42%	-	-	-
Barefoot Resort Golf Club II LLC	Golf Course	1,031,592	8	0.40%	990,528	1	1.01%
Coastal Resort Holding LLC	Residential Development	1,000,392	9	0.39%	-	-	-
David E Martin Trustee	Multi-Family Residential	963,902	10	0.37%	161,706	20	0.17%
Worley, Harold G.	Commercial	867,624	11	0.33%	312,192	10	0.32%
Boulineau's Inc/Frank & Elizabeth	Commercial/Residential	845,700	12	0.33%	-	-	-
Barefoot Landing Inc.	Commercial	744,870	13	0.29%	437,628	7	0.45%
Southern Land & Golf (Tidewater)	Golf Course/Residential	684,358	14	0.26%	821,798	2	0.84%
LLL Partnership	Multi-Family Residential	677,892	15	0.26%	571,242	4	0.58%
Surfwood Plaza LLC	Commercial	661,752	16	0.25%	380,814	8	0.39%
Ocean Keyes Development	Multi-Family Residential	647,574	17	0.25%	-	-	-
Drake Development	Residential Development	634,212	18	0.24%	-	-	-
Cherry Grove Resort	Residential Development	572,832	19	0.22%	-	-	-
Dye Course @ Barefoot Resort II LLC	Golf Course	543,030	20	0.21%	-	-	-
Hillside Development LLC	Residential Development	471,599	21	0.18%	-	-	-
Defender Development	Multi-Family Residential	-	-	-	486,570	5	0.50%
Elliott Holding Co. LLC	Commercial/Undeveloped	-	-	-	466,500	6	0.48%
Tilghman, Merrill William	Commercial/Undeveloped	-	-	-	347,374	9	0.36%
Total		\$ 21,873,188		8.42%	\$ 5,627,064		5.75%

TABLE IX

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS (1)

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Real Estate	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
1997	\$ 4,693,535	\$ 4,494,580	95.7%	\$ 83,712	\$ 4,578,292	97.5%
1998	4,889,142	4,658,990	95.3%	90,604	4,749,594	97.1%
1999	5,261,361	4,995,100	94.9%	88,411	5,083,511	96.6%
2000	5,412,295	5,306,655	98.0%	62,970	5,369,625	99.2%
2001	5,295,660	5,070,637	95.8%	83,653	5,154,290	97.3%
2002	5,706,770	5,501,325	97.5%	69,816	5,631,141	98.7%
2003	5,924,793	5,690,453	96.0%	106,897	5,797,350	97.8%
2004	6,374,997	6,183,313	97.0%	197,531	6,380,844	100.1%
2005	6,634,370	6,469,365	97.5%	(16,727) ⁽²⁾	6,452,638	97.3%
2006	7,921,913	7,732,578	97.6%	83,907	7,816,485	98.7%

(1) Millage rate reduced to 35.7 from 38.7.

(2) Cash refunds from prior year assessment appeals.

(3) Millage rate reduced to 30.5 from 35.7.

TABLE X

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
 RATIOS OF OUTSTANDING LONG-TERM DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	General Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Lease and Storm Water Revenue Bonds	Accrued Compensated Absenses	Water and Sewer System Revenue Bonds	Sewer Contracts Payable	Aquatic Center Enterprise Fund	Government			
1997	\$ 6,150,000	\$ -	\$ 166,513	\$ 2,295,000	\$ 18,441,667	\$ -	\$ 27,053,180	9.57%	\$ 2,499	
1998	5,645,000	-	174,940	2,170,000	18,121,667	-	26,111,607	8.91%	2,344	
1999	5,110,000	-	225,043	2,035,000	17,530,000	-	24,900,043	8.21%	2,175	
2000	4,540,000	(1)	212,072	1,890,000	16,905,000	-	23,547,072	7.95%	2,146	
2001	8,355,000	-	220,527	1,735,000	16,255,000	-	26,565,527	8.51%	2,379	
2002	7,425,000	-	243,649	1,585,000	15,638,501	-	24,892,150	7.64%	2,183	
2003	6,486,000	-	352,520	1,385,000	14,873,333	-	23,096,853	6.75%	1,984	
2004	5,449,000	-	298,560	1,170,000	14,135,000	8,600,000	29,652,560	8.14%	2,495	
2005	4,378,000	8,000,000	470,890	950,000	13,418,333	8,314,181	35,531,404	9.18%	2,928	
2006	3,254,000	9,089,239	511,457	725,000	12,790,000	8,016,643	34,386,339	8.36%	2,776	

Note: See Demographic and Economic Statistics table for personal income and per capita data.

(1) The Tax Increment Financing (TIF) Revenue Bond is included in this total for General Obligation Bonds.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total General Bonded Indebtedness</u>	<u>Percentage of Assessed Value of Taxable Property</u>	<u>Per Capita</u>
1997	\$ 6,150,000	6.29%	\$ 568.23
1998	5,645,000	5.54%	506.82
1999	5,110,000	4.66%	446.41
2000 ⁽²⁾	4,540,000	3.25%	414.99
2001	8,355,000 ⁽¹⁾	5.63%	748.05
2002	7,425,000	4.64%	651.14
2003	6,486,000	3.91%	557.12
2004	5,449,000	2.96%	458.44
2005	4,378,000	2.31%	360.77
2006	3,254,000	1.25%	262.65

(1) Includes the 2000 General Obligation Public Building Bond in the amount of \$4,340,000.

(2) 2000 Census.

**CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2006**

<u>Jurisdiction</u>	<u>Assessed Value</u>	<u>General Bonded Debt Outstanding</u>	<u>Percentage Applicable to the City of North Myrtle Beach</u>	<u>Amount Applicable to the City of Outstanding (2)</u>
		<u>General Obligation Bond Principal (1)</u>		
		<u>Outstanding</u>		
	\$	259,734,854	100.00%	3,254,000
City of North Myrtle Beach	\$	1,246,644,385	20.83%	12,052,238
Horry County		1,246,644,385	20.83%	60,540,312
Horry County School District		290,640,000		
		<u>351,754,000</u>		<u>\$ 75,846,550</u>
Total overlapping general bonded debt				

(1) Data for overlapping jurisdictions was provided by the Horry County Finance Department.

(2) The percentage of General Obligation Bond principal debt applicable to the City of North Myrtle Beach is based on the percentage of assessed valuation of property located in the City.

TABLE XIII

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	2005	2004	2003	2002	2001	2000	1999	1998	1997
Total Assessed Valuation	\$ 259,734,854	\$ 183,940,644	\$ 165,960,588	\$ 159,853,501	\$ 148,337,815	\$ 139,852,584	\$ 109,611,688	\$ 101,857,125	\$ 97,781,979
Maximum General Obligation									
Obligation Debt limited to									
8% of total assessed	20,778,788	14,715,252	13,276,847	12,788,280	11,867,025	11,188,207	8,768,935	8,148,570	7,822,558
valuation ⁽¹⁾									
	\$ 3,254,000	\$ 4,378,000	\$ 5,449,000	\$ 6,486,000	\$ 7,425,000	\$ 8,355,000	\$ 9,440,000	\$ 10,510,000	\$ 11,645,000
Outstanding bonds									
chargeable to bond									
limit ⁽²⁾	\$ 17,524,788	\$ 10,774,800	\$ 9,266,252	\$ 6,790,847	\$ 5,363,289	\$ 3,512,205	\$ 2,648,207	\$ 1,658,935	\$ 1,672,558
Legal debt margin	15.7%	28.9%	37.0%	48.9%	58.1%	70.4%	40.6%	58.3%	69.3%
Total net debt applicable to									
the limit as a percentage									
of debt limit									

(1) Article 10, Section 14.7 of the South Carolina Constitution limits general obligation debt to 8% of the assessed value of all taxable property.

(2) Includes only General Obligation Bonds.

(3) Includes only General Obligation Bonds.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
 PLEDGED REVENUE - REVENUE BOND COVERAGE WATER AND SEWER
 ENTERPRISE FUND AND STORM WATER DRAINAGE FUND

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue ⁽¹⁾	Operating and Maintenance Expenses ⁽²⁾	Net Revenue Available for Debt Service	Total Debt Service Requirements ⁽³⁾		Dept Service Coverage
				Principal	Interest	
1997	\$ 6,800,169	\$ 4,425,062	\$ 2,375,107	\$ 300,000	\$ 1,124,552	1.67%
1998	7,296,820	4,595,543	2,701,277	445,000	1,093,421	1.76%
1999	7,742,349	5,022,588	2,719,761	726,667	1,066,838	1.52%
2000	8,520,970	5,698,032	2,822,938	770,000	1,068,097	1.54%
2001	8,406,450	5,790,377	2,616,073	805,000	1,101,014	1.37%
2002	7,767,440	5,422,696	2,344,744	838,333	987,628	1.28%
2003	8,820,130	6,439,433	2,380,697	965,168	822,544	1.33%
2004	9,335,124	6,625,984	2,709,140	953,333	795,528	1.55%
2005	10,027,816	7,632,393	2,395,423	936,667	805,100	1.38%
	Water and Sewer Stormwater ⁽³⁾	-	1,606,960	853,040	314,604	1.37%
2006	11,730,817	8,606,218	3,124,599	853,333	700,241	2.01%
	Water and Sewer Stormwater	-	1,711,205	810,661	234,339	1.64%

(1) Includes total revenues and Impact Fees to cover bond principal and fee studies recorded as operating expenses for the respective Fiscal Year.

(2) Operating and Maintenance expenses exclude Depreciation and Interest.

(3) Added Stormwater Bonds in 2005.

TABLE XV

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA

PROPERTY VALUES AND CONSTRUCTION

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Total Estimated Actual Value Amounts in 000's ⁽¹⁾	Single Family Units ⁽²⁾	Construction		Units	Construction		Total Construction
			Construction	Units		Construction	Units	
1997	\$ 1,592,978	181	\$ 18,195,701	184	\$ 10,076,564	40	\$ 44,912,874	\$ 73,185,139
1998	1,697,600	206	22,121,559	512	54,082,311	27	13,883,320	90,087,190
1999	1,826,800	207	23,975,693	613	67,498,050	34	25,344,005	116,817,748
2000	2,331,360 ⁽³⁾	196	25,778,812	739	68,335,351	19	8,163,347	102,277,510
2001	2,472,300	207	30,742,737	683	55,386,240	24	29,427,967	115,556,944
2002	2,664,225	225	33,835,617	501	61,591,812	9	31,609,649	127,037,078
2003	2,766,000	325	50,061,500	537	83,088,805	5	24,268,891	157,419,196
2004	3,015,420	278	48,538,234	1335	168,263,252	27	18,750,793	235,552,279
2005	3,139,826	334	52,556,053	1498	164,932,445	120	15,983,819	233,472,317
2006	4,248,137 ⁽³⁾	317	82,308,395	1190	220,231,483	488	73,666,454	376,206,332

(1) Estimated actual value - Horry County Assessment Office.

(2) Construction valuation and number of units - Planning Department, City of North Myrtle Beach.

(3) Horry County reassessment.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN YEARS

Calendar Year	Population	Total Personal Income (amounts in thousands)	Per Capita Personal Income ⁽¹⁾	Horry County Unemployment Rate ⁽²⁾
1997	10,823	\$ 282,621	\$ 26,113	3.2%
1998	11,138	292,918	26,299	2.7%
1999	11,447	303,185	26,486	2.7%
2000	10,974	296,364	27,006	3.2%
2001	11,169	312,185	27,951	4.5%
2002	11,403	325,909	28,581	4.4%
2003	11,642	342,333	29,405	5.3%
2004	11,886	364,306	30,650	5.2%
2005	12,135	387,143	31,903	4.8%
2006	12,389	411,402	33,207	4.7%

2006

INCOME	Horry County		North Myrtle Beach	
	Number	Percentage	Number	Percentage
\$0 - \$10,000	7,254	8.9%	355	6.5%
10,000 - 14,999	5,413	6.6%	306	5.6%
15,000 - 24,999	12,689	15.5%	878	16.1%
25,000 - 34,999	13,677	16.7%	862	15.8%
35,000 - 49,999	15,454	18.9%	1074	19.7%
50,000 - 74,999	15,647	19.1%	1016	18.6%
75,000 - 99,999	5,828	7.1%	469	8.6%
100,000 - 149,999	3,975	4.9%	321	5.9%
150,000 - 199,999	753	0.9%	96	1.7%
200,000 and over	1,095	1.4%	81	1.5%
	81,785	100.00%	5,458	100.00%
Median Household Income:	\$36,470		\$38,787	
Per Capita Income:	\$19,949		27,006	
Average Household Size	2.3		2.3	

North Myrtle Beach population figures for 1996 through 1999 and 2001 through 2003 are calculated using the previous year's growth rate due to the fact that no published figures are available for these years.

(1) Based on 2000 Census.

(2) County information per S.C. Employment Security Commission.

CITY OF NORTH MYRTLE BEACH
PRINCIPAL EMPLOYERS
(TEN LARGEST)

<u>Rank</u>	<u>Employer</u>	<u>Number of Employees</u>
1	Wal-Mart	403
2	City of North Myrtle Beach	300
3	Boulineau's Inc.	250
4	House of Blues	160
5	Bi-Lo (2 stores)	115
6	Home Depot	109
7	Alabama Theatre	100
8	Beach Cove	100
9	Lowes	85
10	Food Line (2 stores)	

Note: The City did not previously prepare this schedule and chooses to implement such data prospectively. No employer information is available for 1997.

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
 FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM
 LAST FIVE FISCAL YEARS

Employees by Function/Program	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>Governmental Activities:</u>					
General Government					
Legislative	8	8	8	8	8
Administrative	11	10.5	10.5	9.5	8.5
City Court	5	5	4	4	4
Information Services	5	5	4	4	4
Finance					
Accounting/Revenue	9.5	9.5	9.5	9	9
Public Safety					
Administration	11	12	12	13	12
Detectives	10.5	10.5	9.5	9.5	9.5
Public Safety & Fire Officials	125.5	118.5	113.5	112.5	111.5
Planning & Community Development					
Administration	10	10	9	8	8
Inspection Services	9	7	7	8	8
Public Works					
Streets / Drainage	18	17	17	17	17
Parks and Recreation					
Parks & Grounds	11	10.5	10.5	10	9
Other Recreation Activities	6.5	6.5	6.5	6	6
Support Services					
Purchasing	7	6	6	6	5
Fleet Maintenance	5	5	5	5	5
Custodial & Facility Maintenance	4	4	4	4	3
<u>Business-type Activities:</u>					
Parks and Recreation					
Aquatic & Fitness Center	22	-	-	-	-
Water & Sewer Utility					
Administration	12	12	12	11.5	11
Wastewater Treatment	6	6	5	5	5
Wells/Lifts Maintenance	9	9	9	9	8
Construction Maintenance	17	17	17	17	14
Solid Waste Utility					
Administration	4	4	4	4	3.5
Sanitation Services	<u>26</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>24</u>
GRAND TOTALS	<u>352</u>	<u>318</u>	<u>308</u>	<u>305</u>	<u>293</u>

CITY OF NORTH MYRTLE BEACH, SOUTH CAROLINA
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

	LAST FIVE FISCAL YEARS				
	2006	2005	2004	2003	2002
Administration					
Equipment	2,044,327	2,043,375	1,973,002	1,698,045	1,576,147
Buildings & Improvements	6,823,957	6,823,957	6,823,957	6,823,957	5,797,809
Land	1,566,224	762,903	762,903	762,903	350,094
Public Safety					
Equipment	7,351,708	5,786,124	5,473,139	5,378,023	5,354,838
Buildings & Improvements	7,699,955	7,699,955	6,193,839	6,193,839	6,193,839
Land	351,143	351,142	351,142	351,142	326,142
Parks & Recreation					
Parks	2,139,025	2,081,994	2,081,994	1,913,630	1,799,448
Equipment	638,067	485,091	456,584	471,151	444,428
Buildings	1,794,760	1,794,760	1,794,760	1,760,127	1,725,939
Land	2,100,240	2,100,240	2,100,240	2,100,240	2,100,240
Public Works					
Infrastructure:					
Roads	16,813,367	15,640,508	15,407,904	14,908,508	14,118,503
Drainage Systems	11,720,596	11,465,049	5,581,015	5,581,015	5,015,733
Developer Contributions - Road and Drainage	4,059,234	4,059,234	4,014,234	3,306,006	1,710,000
Sidewalks	1,493,021	1,395,972	1,219,371	1,131,976	948,878
Street Lighting and other	397,873	224,102	170,220	170,220	160,505
Equipment	1,198,854	1,073,976	912,974	860,050	787,963
Buildings	1,332,428	1,332,428	763,102	763,102	763,102

Note: The City did not previously prepare this schedule and chooses to implement such data prospectively. No capital asset indicators available for the general finance, planning and community development, nondepartmental and support services functions.

