

**THE TOWN OF EDISTO BEACH**

**EDISTO BEACH, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2018**

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**CONTENTS**

	<b><u>PAGE</u></b>
Contents	i-iii
Independent Auditor's Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis	4-14
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15-16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Position - Proprietary Funds	23-24
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26-27
Notes to Financial Statements	28-53

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**CONTENTS**

	<b><u>PAGE</u></b>
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	54
Schedule of Proportionate Share of the Net Pension Liability of Cost Sharing Defined Benefit Plan – South Carolina Retirement System (SCRS)	55
Schedule of Proportionate Share of the Net Pension Liability of Cost Sharing Defined Benefit Plan – Police Officers Retirement System (PORS)	56
Schedule of Contributions to Cost Sharing Defined Benefit Plan – South Carolina Retirement System (SCRS)	57
Schedule of Contributions to Cost Sharing Defined Benefit Plan – Police Officers Retirement System (PORS)	58
<b>Other Supplementary Information</b>	
<b>Combining and Individual Fund Statements and Schedules</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	60
Schedule of Fines and Assessments	61
<b>Statistical Section</b>	
Schedule of Historical Net Revenues and Debt Service Coverage – Water and Sewer Fund	62
System Statistics	63-68

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**CONTENTS**

	<b><u>PAGE</u></b>
<b>Other Reports</b>	
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	<b>69-70</b>
<b>Schedule of Expenditures of Federal Awards and State Financial Assistance</b>	<b>71</b>
<b>Schedule of Findings and Responses</b>	<b>72-73</b>



**K. EVE McCOY, CPA, LLC**  
P. O. Box 6951  
Columbia, South Carolina 29260  
803-256-9100

## **INDEPENDENT AUDITOR'S REPORT**

**The Mayor and Town Council  
The Town of Edisto Beach  
Edisto Beach, South Carolina**

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edisto Beach, South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edisto Beach, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the schedule of revenues, expenditures and changes in fund balances – budget and actual for the general fund on page 54, and the pension information on pages 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

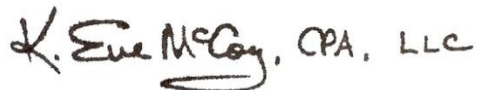
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Edisto Beach's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of fines and assessments, the schedule of expenditures of federal awards and state financial assistance, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the schedule of fines and assessments and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and schedules, the schedule of fines and assessments and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applies in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2018, on my consideration of the Town of Edisto Beach's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Edisto Beach's internal control over financial reporting and compliance.

Handwritten signature of K. Eve McCoy, CPA, LLC.

October 31, 2018

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

As management of the Town of Edisto Beach (Town), we offer readers the Town's financial statements with this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We encourage readers to not only consider the information presented here, but also the information provided in the basic financial statements and notes to the basic financial statements to enhance their understanding of the Town's overall financial performance.

**FINANCIAL HIGHLIGHTS**

The assets of the Town exceeded its liabilities at the close of the fiscal year. Total net position was \$31,155,118. Of this amount, approximately \$26,914,120 and \$4,240,998 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) were approximately \$3,230,000 for its governmental activities and approximately \$2,678,000 for its business-type activities.

The Town's total net position decreased over last year's net position by \$316,045 due to a combination of tax revenue decreases, grant decreases and an increase in unfunded liability for pension obligations. According to GASB 68, net pension obligation \$3,125,403 is reported under liabilities. Total expenses of approximately \$6,727,594 exceeded total revenues of approximately \$6,411,549.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$7,739,955, a decrease of approximately \$714,686, over the prior year's fund balance. Approximately 65% of this total amount, or approximately \$5,081,706, is available for spending at the Town's discretion (unrestricted fund balance).

At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$4,068,219, or 52% of the total General Fund fund balance for the year ended June 30, 2018.

The Town's revenue bond rating using the new Standard and Poor's criteria is A+. The General Obligation Bond rating is AA+.

The following tables provide a summary of the Town's changes in net position for the year ended June 30, 2018:

Total net position	\$ 31,155,118
Decrease in net position	\$ 316,045
Restricted net position	\$ 2,829,966
Unrestricted net position	\$ 5,908,000
Increase in total debt	\$ 7,050,896



**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

**Government-Wide Basic Financial Statements**

The basic financial statements include two statements that present different views of the Town. These are designed to provide readers with a broad overview of the Town's finances in a manner similar to private-sector business.

The statement of net position presents information on all of the Town's net position and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other nonfinancial factors such as the condition of Town infrastructure in addition to the financial information provided in this report.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The government-wide basic financial statements are divided into two categories: (1) governmental activities; and (2) business-type activities. The governmental activities include general government, public safety, public works, recreation and culture, beach preservation and interest. Business-type activities include water and sewer services.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

**FUND BASIC FINANCIAL STATEMENTS**

The fund basic financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

The Town has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement for the general fund can be found in a later section of this report. This statement demonstrates compliance with the Town's adopted and final revised budget.

The Town has four major governmental funds: (1) General Fund, (2) Local Accommodations Tax Special Revenue Fund, (3) Hospitality Tax Special Revenue Fund, and (4) Beach Nourishment Capital Projects Fund.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the Town charges customers a fee.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

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

**Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Supplementary information follows the notes to the financial statements.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Town as a whole.

The Town's net position at fiscal year-end is \$31,155,118. This is a \$316,045 decrease over last year's net position of \$31,471,163. The following table provides a summary of the Town's net position at June 30:

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

**SUMMARY OF NET POSITION**

	Governmental Activities		Business-Type Activities		Totals		Amount Change	% Change
	2018	2017	2018	2017	2018	2017		
Current and other assets	\$ 8,052,231	\$ 8,338,147	\$ 11,145,894	\$ 3,930,141	\$ 19,198,125	\$ 12,268,288	\$ 6,929,837	56.49%
Capital assets	<u>23,105,871</u>	<u>24,168,144</u>	<u>3,025,074</u>	<u>2,976,012</u>	<u>26,130,945</u>	<u>27,144,156</u>	<u>(1,013,211)</u>	-3.73%
<b>Total Assets</b>	<b><u>\$ 31,158,102</u></b>	<b><u>\$ 32,506,291</u></b>	<b><u>\$ 14,170,968</u></b>	<b><u>\$ 6,906,153</u></b>	<b><u>\$ 45,329,070</u></b>	<b><u>\$ 39,412,444</u></b>	<b><u>\$ 5,916,626</u></b>	<b>15.01%</b>
Deferred outflows of resources	<u>\$ 634,954</u>	<u>\$ 445,378</u>	<u>\$ 263,145</u>	<u>\$ 227,357</u>	<u>\$ 898,099</u>	<u>\$ 672,735</u>	<u>\$ 225,364</u>	33.50%
Long-term liabilities	\$ 4,287,996	\$ 4,066,741	\$ 9,276,357	\$ 2,255,912	\$ 13,564,353	\$ 6,322,653	\$ 7,241,700	114.54%
Other liabilities	<u>403,190</u>	<u>1,413,949</u>	<u>860,444</u>	<u>681,839</u>	<u>1,263,634</u>	<u>2,095,788</u>	<u>(832,154)</u>	-39.71%
<b>Total Liabilities</b>	<b><u>\$ 4,691,186</u></b>	<b><u>\$ 5,480,690</u></b>	<b><u>\$ 10,136,801</u></b>	<b><u>\$ 2,937,751</u></b>	<b><u>\$ 14,827,987</u></b>	<b><u>\$ 8,418,441</u></b>	<b><u>\$ 6,409,546</u></b>	<b>76.14%</b>
Deferred inflows of resources	<u>\$ 187,750</u>	<u>\$ 147,353</u>	<u>\$ 56,314</u>	<u>\$ 48,222</u>	<u>\$ 244,064</u>	<u>\$ 195,575</u>	<u>\$ 48,489</u>	24.79%
<b>Net Position</b>								
Invested in capital assets, net of related debt	\$ 21,025,871	\$ 22,018,144	\$ 1,391,281	\$ 1,496,012	\$ 22,417,152	\$ 23,514,156	\$ (1,097,004)	-4.67%
Restricted	2,658,249	2,103,475	171,717	120,540	2,829,966	2,224,015	605,951	27.25%
Unrestricted	<u>3,230,000</u>	<u>3,202,007</u>	<u>2,678,000</u>	<u>2,530,985</u>	<u>5,908,000</u>	<u>5,732,992</u>	<u>175,008</u>	3.05%
<b>Total Net Position</b>	<b><u>\$ 26,914,120</u></b>	<b><u>\$ 27,323,626</u></b>	<b><u>\$ 4,240,998</u></b>	<b><u>\$ 4,147,537</u></b>	<b><u>\$ 31,155,118</u></b>	<b><u>\$ 31,471,163</u></b>	<b><u>\$ (316,045)</u></b>	<b>-1.00%</b>

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

**Net Position**

Net position of the Town's governmental activities decreased by \$409,506 or 1.49% to \$26,914,120. However, much of those net positions either are restricted as to the purposes for which they can be used, or are invested in capital assets (buildings, equipment and such). Unrestricted net position increased by 1.0% to \$3,230,000.

Net position of the Town's business-type activities increased 2.2% to \$4,240,998. These resources cannot be used to add to the net position surplus in governmental activities. The Town generally can only use these net positions to finance the continuing operations of the business-type activities.

The following table provides a summary of the Town's changes in net position for the year ended June 30:

**SUMMARY OF CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>		
<b><u>Revenues</u></b>								
<b>Program revenues</b>								
Charges for services	\$ 734,656	\$ 681,421	\$ 1,669,287	\$ 1,503,099	\$ 2,403,943	\$ 2,184,520	\$ 219,423	10.04%
Operating grants & contributions	304,931	3,288,712	-	13,175	304,931	3,301,887	(2,996,956)	-90.76%
Capital grants & contributions	-	14,569,109	-	-	-	14,569,109	(14,569,109)	-100.00%
<b>General revenues</b>								
Property taxes	1,194,182	1,050,557	-	-	1,194,182	1,050,557	143,625	13.67%
Local option sales taxes	166,847	163,417	-	-	166,847	163,417	3,430	2.10%
Accommodations taxes	732,340	705,498	-	-	732,340	705,498	26,842	3.80%
Hospitality taxes	203,340	193,346	-	-	203,340	193,346	9,994	5.17%
Business taxes	749,156	793,592	-	-	749,156	793,592	(44,436)	-5.60%
<b>Intergovernmental revenues</b>	<u>369,340</u>	<u>377,601</u>	<u>-</u>	<u>-</u>	<u>369,340</u>	<u>377,601</u>	<u>(8,261)</u>	<u>-2.19%</u>
<b>Other</b>	<u>195,401</u>	<u>218,339</u>	<u>92,069</u>	<u>23,461</u>	<u>287,470</u>	<u>241,800</u>	<u>45,670</u>	<u>18.89%</u>
<b>Total Revenues</b>	<b>\$ 4,650,193</b>	<b>\$ 22,041,592</b>	<b>\$ 1,761,356</b>	<b>\$ 1,539,735</b>	<b>\$ 6,411,549</b>	<b>\$ 23,581,327</b>	<b>\$ (17,169,778)</b>	<b>-72.81%</b>

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

**SUMMARY OF CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>		
<b><u>Expenses</u></b>								
<b>General</b>								
government	\$ 1,774,378	\$ 1,550,632	\$ -	\$ -	\$ 1,774,378	\$ 1,550,632	\$ 223,746	14.43%
Public safety	1,282,001	1,278,581	-	-	1,282,001	1,278,581	3,420	0.27%
Public works	549,505	1,203,703	-	-	549,505	1,203,703	(654,198)	-54.35%
Recreation & culture	279,407	126,122	-	-	279,407	126,122	153,285	121.54%
Beach preservation	1,070,121	676,665	-	-	1,070,121	676,665	393,456	58.15%
Interest on long-term debt	104,287	107,269	-	-	104,287	107,269	(2,982)	-2.78%
Intergovernmental	-	3,270,624	-	-	-	3,270,624	(3,270,624)	100.00%
Water & sewer	-	-	1,667,895	1,410,681	1,667,895	1,410,681	257,214	18.23%
<b>Total Expenses</b>	<b>\$ 5,059,699</b>	<b>\$ 8,213,596</b>	<b>\$ 1,667,895</b>	<b>\$ 1,410,681</b>	<b>\$ 6,727,594</b>	<b>\$ 9,624,277</b>	<b>\$ (2,896,683)</b>	<b>-30.10%</b>
<b><u>Change in Net Position</u></b>	<b>\$ (409,506)</b>	<b>\$ 13,827,996</b>	<b>\$ 93,461</b>	<b>\$ 129,054</b>	<b>\$ (316,045)</b>	<b>\$ 13,957,050</b>	<b>\$ (14,273,095)</b>	<b>-102.26%</b>
<b><u>Beginning Net Position</u></b>	<b>27,323,626</b>	<b>13,495,630</b>	<b>4,147,537</b>	<b>4,018,483</b>	<b>31,471,163</b>	<b>17,514,113</b>	<b>13,957,050</b>	<b>79.69%</b>
<b><u>Ending Net Position</u></b>	<b>\$ 26,914,120</b>	<b>\$ 27,323,626</b>	<b>\$ 4,240,998</b>	<b>\$ 4,147,537</b>	<b>\$ 31,155,118</b>	<b>\$ 31,471,163</b>	<b>\$ (316,045)</b>	<b>-1.00%</b>

**CHANGES IN NET POSITION**

The Town's total revenues decreased by 78.9% to \$4,650,193. This substantial decrease in revenues was due in part to operating funds and capital grants obtained in 2017 to conduct the beach nourishment project and address issues from natural disasters. In addition, business taxes decreased due to reduced rental income in 2017 that is used to calculate 2018 license fees. Approximately 32% of the Town's revenue comes from fees charged for services and business taxes. Approximately 29% of the Town's revenue comes from property taxes and local option sales taxes. Another 20% comes from tourism taxes with the balance from intergovernmental revenues, and contributions and miscellaneous sources.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

Following is a discussion of the governmental and business-type activities separately.

**Governmental Activities**

Revenues for the Town's governmental activities decreased by \$17,391,399 to \$4,650,193 of which a substantial part was due to operational and capital grants related to storm impacts and beach nourishment received in 2017. All other revenue streams increased minimally with the exception of Business taxes which decreased. This decrease was due to storm impacts which decreased rental income in 2017 that is used to calculate 2018 license fees.

Total expenses decreased by \$3,153,897 to \$5,059,699. The majority of this expense decrease was due to an intergovernmental expense for the State Park portion of the 2017 beach nourishment project. The other associated decreases were storm related.

**Business-Type Activities**

Revenues for charges for services were adjusted this fiscal year. The water rate was increased by 15% on May 10, 2018 as scheduled to pay for additional debt acquired in 2017 for the Water Improvement Project.

Total expenses for the Town's business-type activities increased from 2017 to 2018. Most are attributable to repairs to aging infrastructure. The Wellfield continues to cause the Town issues.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

**Governmental Funds**

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

Governmental funds reported ending fund balances of \$7,739,955. Of this year-end total, approximately \$4,068,219 is unassigned indicating availability for continuing Town service requirements.

Restricted, committed and assigned fund balances include: \$711,442 in the Beach Nourishment Capital Projects Fund restricted to beach preservation projects, \$938,983 committed to the Town equipment fund and PRIDE, \$1,535,829 (Hospitality and Accommodations Taxes) restricted to the promotion of recreation and tourism, \$357,961 (Alcohol Permitting, ATAX 65% and I & I) restricted to other projects, \$53,017 restricted to the promotion of the civic center and \$74,504 assigned to the Volunteer Fire Department.

The total ending fund balances of governmental funds show an increase of \$714,686 over the prior year.

**Major Governmental Funds**

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$206,063. Of the total fund balance of \$5,060,219, \$938,983 is committed as determined by Town Council. These funds are committed to the General Equipment Vehicle Replacement Fund which accrues funds as vehicle and equipment are depreciated and Edisto Pride which receives funds from Keep America Beautiful.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

**Proprietary Funds**

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

**Major Proprietary Funds**

The Town's major proprietary fund is the water and sewer fund. The net position of the water and sewer fund increased by \$93,461.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Comparing the fiscal year 2017 original budget to the final budget shows a net change of \$0.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2018, was \$23,105,871 and \$3,025,074, respectively. See Note 3 for additional information about changes in capital assets during the fiscal year.

**CAPITAL ASSETS**  
**NET OF ACCUMULATED DEPRECIATION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Total % Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
<b>Non-Depreciable Assets:</b>							
Land and other non-depreciable assets	\$ 7,201,371	\$ 7,020,943	\$ 900,699	\$ 706,906	\$ 8,102,070	\$ 7,727,849	4.84%
<b>Depreciable Assets:</b>							
Buildings	626,293	656,180	17,201	20,643	643,494	676,823	-4.92%
Improvements other than buildings	337,511	412,719			337,511	412,719	-18.22%
Infrastructure	14,346,431	15,420,936	1,988,570	2,124,475	16,335,001	17,545,411	-6.90%
Machinery and equipment	594,265	657,366	118,604	123,988	712,869	781,354	-8.76%
<b>Total</b>	<b><u>\$ 23,105,871</u></b>	<b><u>\$ 24,168,144</u></b>	<b><u>\$ 3,025,074</u></b>	<b><u>\$ 2,976,012</u></b>	<b><u>\$ 26,130,945</u></b>	<b><u>\$ 27,144,156</u></b>	<b>-3.73%</b>



**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

**Long-Term Debt**

At the end of the fiscal year, the Town had bonded debt outstanding of \$8,603,727 supported by pledged revenues generated primarily by the business-type activities of the Town (revenue bonds) and \$2,080,000 supported by general revenues generated by the governmental activities of the Town (general obligation bonds). Total long-term debt is \$10,730,841 of which \$47,114 is for compensated absences. Long-term debt increased by \$7,050,896. This increase was due to the issuance of an combined water and sewer system revenue bond series 2017 issued July 18, 2017 for \$7,255,000. The Town met its revenue bond covenant requirements.

**Bond Ratings**

General Obligation Bond ratings are disclosed on the face of the final official statements for the bonds. The rating on General Obligation Bonds increased by three levels to an AA+ by Standard and Poor's Rating Service (S&P) as reported on June 24, 2014. On April 28, 2017, Standard and Poor's Rating Service reaffirmed the Town's A+ long-term rating on revenue bonds. Management has identified key information that was not considered in the evaluation and feels the A+ rating is low.

The rating reflects the opinion of the following factors for the town, including its:

- Historically very strong and stable all-in coverage, which we expect to stabilize over time at levels above 1.5x;
- Very strong liquidity with over \$3 million in available reserves, or over 1,250 days' cash on hand for the last three fiscal years;
- A debt-to-capitalization ratio of just under 70% following the 2017 issuance, with no additional debt plans; and
- Good financial management practices and policies.

See Note 3 for additional information about changes in bonds during the fiscal year.

**ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGET AND RATES**

The Town's water and sewer revenue bonds require rate increases to operate and maintain the Town's system as needed. A water and sewer rate study was completed in 2011 and updated in 2017 to provide guidance for rate increases for the new bond issue. Water rates were increased by 15% April 13, 2017 and May 10, 2018. An additional increase is scheduled for May 2019.

In fiscal year 2016, the Town experienced critical issues with water supply which resulted in the escalation of the water system improvement project. A Guaranteed Maximum Price was provided by a consulting group and the Town updated its water rate study and implemented the first increase of 15% to support the revenue bond debt. Although a new well was anticipated to be constructed in 2017, it was delayed due to litigation regarding the well site. Litigation has been resolved and construction began in October 2018.

The majority of the change in net position of the Town was related to an increase in unfunded pension liability.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

The Town is still awaiting closure of projects from Hurricanes Joaquin and Matthew from 2015 and 2016. Projects are still underway for Hurricane Irma that impacted Edisto Beach in 2017 and the Town continues to assess damages from Hurricanes Florence and Michael that occurred in 2018.

Real estate sales are strong, and property values are rising as we experience revitalization from the past storms.

The millage rate was increased this year through reassessment to 23.44.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or would like to request additional information, contact Town Hall at 2414 Murray Street, Edisto Beach, South Carolina 29438.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF NET POSITION**  
June 30, 2018

Page 1 of 2

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents	\$ 7,755,639	\$ 3,392,396	\$ 11,148,035
Receivables			
Taxes	41,458		41,458
Accounts	131,882	382,546	514,428
Other	131,319		131,319
Inventory		16,283	16,283
Internal balances	<u>(8,067)</u>	<u>8,067</u>	<u>-</u>
Total Current Assets	<u>\$ 8,052,231</u>	<u>\$ 3,799,292</u>	<u>\$ 11,851,523</u>
<b><u>RESTRICTED ASSETS</u></b>			
Investments	<u>\$ -</u>	<u>\$ 7,346,602</u>	<u>\$ 7,346,602</u>
Total Restricted Assets	<u>\$ -</u>	<u>\$ 7,346,602</u>	<u>\$ 7,346,602</u>
<b><u>NONCURRENT ASSETS</u></b>			
Capital assets			
Land and other non-depreciable assets	\$ 7,201,371	\$ 900,699	\$ 8,102,070
Capital assets, net of depreciation	<u>15,904,500</u>	<u>2,124,375</u>	<u>18,028,875</u>
Total Noncurrent Assets	<u>\$ 23,105,871</u>	<u>\$ 3,025,074</u>	<u>\$ 26,130,945</u>
Total Assets	<u>\$ 31,158,102</u>	<u>\$ 14,170,968</u>	<u>\$ 45,329,070</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred amounts from refunding of debt	\$ -	\$ 69,819	\$ 69,819
Deferred outflows related to pensions	<u>634,954</u>	<u>193,326</u>	<u>828,280</u>
Total Deferred Outflows of Resources	<u>\$ 634,954</u>	<u>\$ 263,145</u>	<u>\$ 898,099</u>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF NET POSITION**  
June 30, 2018

Page 2 of 2

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Accounts payable	\$ 20,627	\$ 1,347	\$ 21,974
Interest payable	25,481		25,481
Unearned revenue	250,191	559,365	809,556
Compensated absences	36,891		36,891
Bonds payable	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Total Current Liabilities	<u>\$ 403,190</u>	<u>\$ 560,712</u>	<u>\$ 963,902</u>
<b><u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u></b>			
Interest payable	\$ -	\$ 114,732	\$ 114,732
Bonds payable	<u>-</u>	<u>185,000</u>	<u>185,000</u>
Total Current Liabilities (Payable From Restricted Assets)	<u>\$ -</u>	<u>\$ 299,732</u>	<u>\$ 299,732</u>
<b><u>NONCURRENT LIABILITIES</u></b>			
Compensated absences	\$ 10,223	\$ -	\$ 10,223
Bonds payable	2,010,000	8,418,727	10,428,727
Net pension obligation	<u>2,267,773</u>	<u>857,630</u>	<u>3,125,403</u>
Total Noncurrent Liabilities	<u>\$ 4,287,996</u>	<u>\$ 9,276,357</u>	<u>\$ 13,564,353</u>
Total Liabilities	<u>\$ 4,691,186</u>	<u>\$ 10,136,801</u>	<u>\$ 14,827,987</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows related to pensions	<u>\$ 187,750</u>	<u>\$ 56,314</u>	<u>\$ 244,064</u>
Total Deferred Inflows of Resources	<u>\$ 187,750</u>	<u>\$ 56,314</u>	<u>\$ 244,064</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	\$ 21,025,871	\$ 1,391,281	\$ 22,417,152
Restricted	2,658,249	171,717	2,829,966
Unrestricted	<u>3,230,000</u>	<u>2,678,000</u>	<u>5,908,000</u>
Total Net Position	<u>\$ 26,914,120</u>	<u>\$ 4,240,998</u>	<u>\$ 31,155,118</u>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF ACTIVITIES**  
For The Fiscal Year Ended June 30, 2018

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>Governmental Activities</b>							
General government	\$ 1,774,378	\$ 605,331	\$ 232,670	\$ -	\$ (936,377)	\$ -	\$ (936,377)
Public safety	1,282,001	114,451			(1,167,550)		(1,167,550)
Public works	549,505				(549,505)		(549,505)
Recreation and culture	279,407	14,874	72,261		(192,272)		(192,272)
Beach preservation	1,070,121				(1,070,121)		(1,070,121)
Interest	104,287	-	-	-	(104,287)	-	(104,287)
<b>Total Governmental Activities</b>	<b>\$ 5,059,699</b>	<b>\$ 734,656</b>	<b>\$ 304,931</b>	<b>\$ -</b>	<b>\$ (4,020,112)</b>	<b>\$ -</b>	<b>\$ (4,020,112)</b>
<b>Business Activities</b>							
Water and sewer	\$ 1,667,895	\$ 1,669,287	\$ -	\$ -	\$ -	\$ 1,392	\$ 1,392
<b>Total Business-Type Activities</b>	<b>\$ 1,667,895</b>	<b>\$ 1,669,287</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,392</b>	<b>\$ 1,392</b>
<b>Total Government</b>	<b>\$ 6,727,594</b>	<b>\$ 2,403,943</b>	<b>\$ 304,931</b>	<b>\$ -</b>	<b>\$ (4,020,112)</b>	<b>\$ 1,392</b>	<b>\$ (4,018,720)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
					\$ 1,194,182	\$ -	\$ 1,194,182
					166,847		166,847
					732,340		732,340
					203,340		203,340
					749,156		749,156
					369,340		369,340
					72,526	91,919	164,445
					83,555		83,555
					39,320	150	39,470
					<b>\$ 3,610,606</b>	<b>\$ 92,069</b>	<b>\$ 3,702,675</b>
<b>CHANGE IN NET POSITION</b>					\$ (409,506)	\$ 93,461	\$ (316,045)
<b>NET POSITION - BEGINNING</b>					27,323,626	4,147,537	31,471,163
<b>NET POSITION - ENDING</b>					<b>\$ 26,914,120</b>	<b>\$ 4,240,998</b>	<b>\$ 31,155,118</b>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	<u>GENERAL FUND</u>	<u>LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND</u>	<u>HOSPITALITY TAX SPECIAL REVENUE FUND</u>	<u>BEACH NOURISHMENT CAPITAL PROJECTS FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 5,658,383	\$ 1,228,082	\$ 206,400	\$ 230,309	\$ 432,465	\$ 7,755,639
Receivables						
Taxes	41,458					41,458
Accounts	131,882					131,882
Other	131,319					131,319
Due from other funds	-	78,076	23,271	486,105		587,452
	<u>5,963,042</u>	<u>1,306,158</u>	<u>229,671</u>	<u>716,414</u>	<u>432,465</u>	<u>8,647,750</u>
<b>Total Assets</b>	<b>\$ 5,963,042</b>	<b>\$ 1,306,158</b>	<b>\$ 229,671</b>	<b>\$ 716,414</b>	<b>\$ 432,465</b>	<b>\$ 8,647,750</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>						
<b><u>Liabilities</u></b>						
Accounts payable	\$ 15,655	\$ -	\$ -	\$ 4,972	\$ -	\$ 20,627
Unearned revenue	250,191					250,191
Due to other funds	595,519	-	-	-	-	595,519
	<u>861,365</u>	<u>-</u>	<u>-</u>	<u>4,972</u>	<u>-</u>	<u>866,337</u>
<b>Total Liabilities</b>	<b>\$ 861,365</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,972</b>	<b>\$ -</b>	<b>\$ 866,337</b>
<b><u>Deferred Inflows of Resources</u></b>						
Unavailable revenue - property taxes	\$ 41,458	\$ -	\$ -	\$ -	\$ -	\$ 41,458
	<u>41,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,458</u>
<b>Total Deferred Inflows of Resources</b>	<b>\$ 41,458</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,458</b>
<b><u>Fund Balances</u></b>						
Restricted	\$ 53,017	\$ 1,306,158	\$ 229,671	\$ 711,442	\$ 357,961	\$ 2,658,249
Committed	938,983					938,983
Assigned					74,504	74,504
Unassigned	4,068,219	-	-	-	-	4,068,219
	<u>5,060,219</u>	<u>1,306,158</u>	<u>229,671</u>	<u>711,442</u>	<u>432,465</u>	<u>7,739,955</u>
<b>Total Fund Balances</b>	<b>\$ 5,060,219</b>	<b>\$ 1,306,158</b>	<b>\$ 229,671</b>	<b>\$ 711,442</b>	<b>\$ 432,465</b>	<b>\$ 7,739,955</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,963,042</b>	<b>\$ 1,306,158</b>	<b>\$ 229,671</b>	<b>\$ 716,414</b>	<b>\$ 432,465</b>	<b>\$ 8,647,750</b>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2018

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	7,739,955
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and are therefore not reported in the Governmental Funds Balance Sheet.		
		23,105,871
Revenues for delinquent property taxes are deferred inflows of resources in the governmental funds because they will not be received within sixty days of the Government's year end.		
		41,458
Certain deferred outflows of resources represent a consumption of net position in a future period and, therefore, are not reported in the funds.		
Pension deferred outflows		
		634,954
Certain deferred inflows of resources represent amounts that are not available to pay for the current periods expenditures and, therefore, are reported as a deferred inflow of resources.		
Pension deferred inflows		
		(187,750)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences	\$	(47,114)
Accrued interest		(25,481)
Bonds payable		(2,080,000)
Net pension obligation		<u>(2,267,773)</u>
		<u>(4,420,368)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>26,914,120</u>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For The Fiscal Year Ended June 30, 2018

Page 1 of 2

	GENERAL FUND	LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	BEACH NOURISHMENT CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
<b><u>REVENUES</u></b>						
General property taxes	\$ 1,186,146	\$ -	\$ -	\$ -	\$ -	\$ 1,186,146
Local option sales taxes	166,847					166,847
Accommodations taxes	45,145	425,311			261,884	732,340
Hospitality taxes			203,340			203,340
Licenses and permits	749,156					749,156
Charges for services	656,847					656,847
Fines and forfeitures	77,809					77,809
Intergovernmental revenues	318,434				50,906	369,340
Grant revenues	232,670		72,261			304,931
Interest revenues	57,882	12,625	829	280	910	72,526
Rental revenues	83,555					83,555
Miscellaneous revenues	<u>32,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,878</u>	<u>39,320</u>
<b>Total Revenues</b>	<b><u>\$ 3,606,933</u></b>	<b><u>\$ 437,936</u></b>	<b><u>\$ 276,430</u></b>	<b><u>\$ 280</u></b>	<b><u>\$ 320,578</u></b>	<b><u>\$ 4,642,157</u></b>
<b><u>EXPENDITURES</u></b>						
<b>Current</b>						
General government	\$ 1,669,911	\$ -	\$ -	\$ -	\$ -	\$ 1,669,911
Public safety	1,017,915				43,638	1,061,553
Public works	544,162					544,162
Recreation and culture			55,666	79,592	70,707	205,965
Beach preservation		328				328
<b>Debt service</b>						
Principal	70,000					70,000
Interest	105,075					105,075
<b>Capital outlay</b>						
General government	<u>270,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,477</u>
<b>Total Expenditures</b>	<b><u>\$ 3,677,540</u></b>	<b><u>\$ 328</u></b>	<b><u>\$ 55,666</u></b>	<b><u>\$ 79,592</u></b>	<b><u>\$ 114,345</u></b>	<b><u>\$ 3,927,471</u></b>

The notes to the financial statements are an integral part of this statement.



**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For The Fiscal Year Ended June 30, 2018

Page 2 of 2

	GENERAL FUND	LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	BEACH NOURISHMENT CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	\$ (70,607)	\$ 437,608	\$ 220,764	\$ (79,312)	\$ 206,233	\$ 714,686
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Transfers in	276,670	700,000				976,670
Transfers out	-	(100,000)	(126,670)	(700,000)	(50,000)	(976,670)
Total Other Financing Sources (Uses)	\$ 276,670	\$ 600,000	\$ (126,670)	\$ (700,000)	\$ (50,000)	\$ -
<b><u>NET CHANGE IN FUND BALANCES</u></b>	\$ 206,063	\$ 1,037,608	\$ 94,094	\$ (779,312)	\$ 156,233	\$ 714,686
<b><u>FUND BALANCES - BEGINNING</u></b>	4,854,156	268,550	135,577	1,490,754	276,232	7,025,269
<b><u>FUND BALANCES - ENDING</u></b>	\$ 5,060,219	\$ 1,306,158	\$ 229,671	\$ 711,442	\$ 432,465	\$ 7,739,955

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
For The Fiscal Year Ended June 30, 2018

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL</b>	<b>\$ 714,686</b>
 Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.	270,477
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(1,332,750)
Repayment of debt decreases long-term liabilities in the Statement of Activities.	70,000
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	8,036
Decrease in accrued compensated absences is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	2,831
Decrease in accrued interest payable is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	788
Change in pension deferred outflows (inflows) of resources (net) and net pension liability is included in the governmental activities in the Statement of Assets.	<u>(143,574)</u>
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (409,506)</u></b>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2018

Page 1 of 2

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>	
	<b><u>ENTERPRISE FUNDS</u></b>	
<b><u>ASSETS</u></b>	<b><u>WATER AND SEWER</u></b>	<b><u>TOTAL</u></b>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 3,392,396	\$ 3,392,396
Accounts receivable	382,546	382,546
Inventory	16,283	16,283
Due from other funds	8,067	8,067
Total Current Assets	\$ 3,799,292	\$ 3,799,292
<b><u>RESTRICTED ASSETS</u></b>		
Investments	\$ 7,346,602	\$ 7,346,602
Total Restricted Assets	\$ 7,346,602	\$ 7,346,602
<b><u>NONCURRENT ASSETS</u></b>		
Capital assets		
Capital assets not depreciated	\$ 900,699	\$ 900,699
Capital assets depreciated, net	2,124,375	2,124,375
Total Noncurrent Assets	\$ 3,025,074	\$ 3,025,074
Total Assets	\$ 14,170,968	\$ 14,170,968
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred amounts from refunding of debt	\$ 69,819	\$ 69,819
Deferred amounts related to pension	193,326	193,326
Total Deferred Outflows	\$ 263,145	\$ 263,145

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2018

Page 2 of 2

	<b>BUSINESS-TYPE ACTIVITIES</b>	
	<b>ENTERPRISE FUNDS</b>	
<b><u>LIABILITIES</u></b>	<b>WATER AND SEWER</b>	<b>TOTAL</b>
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 1,347	\$ 1,347
Unearned revenue	559,365	559,365
Total Current Liabilities	\$ 560,712	\$ 560,712
<b><u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u></b>		
Interest payable	\$ 114,732	\$ 114,732
Bonds payable	185,000	185,000
Total Current Liabilities (Payable From Restricted Assets)	\$ 299,732	\$ 299,732
<b><u>NONCURRENT LIABILITIES</u></b>		
Bonds payable	\$ 8,418,727	\$ 8,418,727
Net pension obligation	857,630	857,630
Total Noncurrent Liabilities	\$ 9,276,357	\$ 9,276,357
Total Liabilities	\$ 10,136,801	\$ 10,136,801
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred amounts related to pension	\$ 56,314	\$ 56,314
Total Deferred Outflows	\$ 56,314	\$ 56,314
<b><u>NET POSITION</u></b>		
Invested in capital assets, net of related debt	\$ 1,391,281	\$ 1,391,281
Restricted for debt service	171,717	171,717
Unrestricted	2,678,000	2,678,000
Total Net Position	\$ 4,240,998	\$ 4,240,998

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For The Fiscal Year Ended June 30, 2018

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>	
	<b><u>ENTERPRISE FUNDS</u></b>	
	<b><u>WATER</u></b>	
	<b><u>AND SEWER</u></b>	<b><u>TOTAL</u></b>
<b><u>OPERATING REVENUES</u></b>		
Charges for services	\$ 1,669,287	\$ 1,669,287
Total Operating Revenues	<u>\$ 1,669,287</u>	<u>\$ 1,669,287</u>
<b><u>OPERATING EXPENSES</u></b>		
Personal services	\$ 553,058	\$ 553,058
Operating expenses	405,455	405,455
Depreciation	<u>197,393</u>	<u>197,393</u>
Total Operating Expenses	<u>\$ 1,155,906</u>	<u>\$ 1,155,906</u>
Operating Income	<u>\$ 513,381</u>	<u>\$ 513,381</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
Interest income	\$ 91,919	\$ 91,919
Miscellaneous	150	150
Interest expense	(294,070)	(294,070)
Bond issuance costs	<u>(217,919)</u>	<u>(217,919)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (419,920)</u>	<u>\$ (419,920)</u>
<b><u>CHANGE IN NET POSITION</u></b>	<u>\$ 93,461</u>	<u>\$ 93,461</u>
<b><u>TOTAL NET POSITION - BEGINNING</u></b>	<u>4,147,537</u>	<u>4,147,537</u>
<b><u>TOTAL NET POSITION - ENDING</u></b>	<u><u>\$ 4,240,998</u></u>	<u><u>\$ 4,240,998</u></u>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For The Fiscal Year Ended June 30, 2018

Page 1 of 2

	<b>BUSINESS-TYPE ACTIVITIES</b>	
	<b>ENTERPRISE FUNDS</b>	
	<b>WATER AND SEWER</b>	<b>TOTAL</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers	\$ 1,746,522	\$ 1,746,522
Cash paid to suppliers for goods and services	(533,187)	(533,187)
Cash paid to employees	(545,382)	(545,382)
Net Cash Provided By Operating Activities	\$ 667,953	\$ 667,953
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Bond proceeds	\$ 7,418,052	\$ 7,418,052
Interest paid on long-term debt	(177,316)	(177,316)
Principal paid on long-term debt	(290,000)	(290,000)
Bond issuance costs	(217,919)	(217,919)
Acquisition and construction of fixed assets	(246,455)	(246,455)
Miscellaneous	150	150
Due from other funds	(3,775)	(3,775)
Net Cash Flows From Capital And Related Financing Activities	\$ 6,482,737	\$ 6,482,737
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest income	\$ 91,919	\$ 91,919
Net Cash Flows From Investing Activities	\$ 91,919	\$ 91,919
<b><u>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</u></b>	<b>\$ 7,242,609</b>	<b>\$ 7,242,609</b>
<b><u>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</u></b>	<b>3,496,389</b>	<b>3,496,389</b>
<b><u>CASH AND EQUIVALENTS AT END OF YEAR</u></b>	<b>\$ 10,738,998</b>	<b>\$ 10,738,998</b>
<b><u>CLASSIFIED AS:</u></b>		
Current assets	\$ 3,392,396	\$ 3,392,396
Restricted assets	7,346,602	7,346,602
	<b>\$ 10,738,998</b>	<b>\$ 10,738,998</b>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
**Edisto Beach, South Carolina**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**For The Fiscal Year Ended June 30, 2018**

Page 2 of 2

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>	
	<b><u>ENTERPRISE FUNDS</u></b>	
	<b><u>WATER</u></b>	<b><u>TOTAL</u></b>
	<b><u>AND SEWER</u></b>	<b><u></u></b>
<b><u>OPERATING INCOME</u></b>	<b>\$ 513,381</b>	<b>\$ 513,381</b>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	197,393	197,393
 <b><u>(INCREASE) DECREASE IN ASSETS</u></b>		
Accounts receivable	26,050	26,050
Grants receivable	3,294	3,294
Inventory	1,287	1,287
 <b><u>INCREASE (DECREASE) IN LIABILITIES</u></b>		
Accounts payable	(132,312)	(132,312)
Unearned revenue	51,185	51,185
Pension deferrals	7,675	7,675
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>\$ 667,953</b>	<b>\$ 667,953</b>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

The Town of Edisto Beach is located on a barrier island in southeastern South Carolina, approximately 45 miles southwest of the City of Charleston in Colleton County. Bounded by Charleston County to the north, St. Helena Sound to the southwest, and the Atlantic Ocean to the east, Edisto Beach is the barrier island part of Edisto Island which is located landward in Charleston County. Edisto Beach is a coastal barrier island in Colleton County and is located at Latitude 32.487613N, Longitude 80.324402N in the Eastern Standard Time Zone. The Town covers a length of approximately 4.4 miles long and 1.5 miles in width with an estimated full-time population of 648. The Town is a political subdivision and municipal corporation of the State. The Town of Edisto Beach was incorporated December 18, 1970, under the laws of the State of South Carolina and operates under the Council form of government. The Mayor and four council members establish policy for the Town. Administrative functions are directed by the Town Administrator. The Town's major operations include public safety, water and sewage services, recreational and cultural programs, public works and general administrative services within the municipality as well as surrounding unincorporated areas of Colleton County.

1. **Summary of Significant Accounting Policies**

A. **The Reporting Entity**

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

As required by GAAP, the basic financial statements present the Town's financial information including any component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town. In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town's basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town does not have any blended or discretely presented component units.

The Town of Edisto Beach has been determined to be a primary government due to the fact that it is a general-purpose local governmental entity.



**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

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

The government-wide basic financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. The effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees or charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

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

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

THE TOWN OF EDISTO BEACH  
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

Governmental fund basic financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers property taxes to be available if they are collected within sixty (60) days of the end of the current fiscal period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, related to compensated absences and claims and judgments, are recorded only when payments are due and payable. It is the Town's policy to recognize grant revenues when earned to match the corresponding expenditures. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease purchase are reported as other financing sources.

The Town reports deferred inflows of resources and unearned revenues on its financial statements. For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received before the Town has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, deferred inflows of resources and unearned revenue are removed from the balance sheet or statement of net position and revenue is recognized.

Fund basic financial statements report detailed information about the Town. The focus of governmental and enterprise fund basic financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations. The preparation of financial statements in conformity with generally accepted accounting principles, as applicable to governmental units, requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates fund according to their intended purpose and is used as an aid to management in demonstrating compliance with finance-related legal and contractual requirements.

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

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

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

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded at the time liabilities are 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. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items. Proprietary Fund types include the following 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 (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has one major enterprise fund.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the Town believes is particularly important to financial statement users may be reported as a major fund.

The Town reports the following major governmental funds:

The General Fund is the general operating fund of the Town and accounts for all revenues and expenditures of the Town, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and capital improvement costs not paid through other funds are paid from the General Fund. This is a budgeted fund, and any unreserved fund balance is generally considered a resource available for use.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

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

The Local Accommodations Tax Fund, a special revenue fund, is used to account for the accumulation of resources from the 2% fee imposed on the rental of any accommodations within the Town. These funds are to be spent only to support tourism and tourist-related services. This is an unbudgeted fund.

The Hospitality Tax Fund, a special revenue fund, is used to account for the accumulation of resources from a 2% fee imposed on food and beverage sales within the Town. These funds are to be spent only to support tourism and tourist-related services. This is an unbudgeted fund.

The Beach Nourishment Capital Projects Fund is used to account for the expenditures of rebuilding, restoring and sand placement on the Town's beach. This is an unbudgeted fund.

The Town reports the following major enterprise fund:

The Water and Sewer Enterprise Fund is used to account for water and sewer services provided to the residents of the Town.

C. **Assets, Liabilities and Equity**

1. **Cash and Investments**

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

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

2. **Inventory**

Inventories and prepaid items in the governmental funds are reported under the consumption method (if material) as they are recorded as an expenditure as they are used (consumed). Inventory is valued at cost, using the first-in, first-out method.

3. **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Additions to capital assets are recorded at cost at the time of purchase. Gifts or contributions are recorded at fair market value at the time received. General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements.

The Town maintains a \$5,000 threshold for additions to equipment. Buildings are capitalized when the value is \$15,000 or greater. System infrastructure assets represent major expenditures for such items as water and sewer treatment plants and lines. Additions and improvements for water and sewer infrastructure are capitalized when the cost amounts to \$5,000.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

C. **Assets, Liabilities and Equity (Continued)**

3. **Capital Assets (Continued)**

Depreciation has been provided using the straight-line method. The estimated useful lives of the various classes of depreciable fixed assets are as follows:

	<u>Life - Years</u>
Buildings	40-50
Machinery and equipment	5-10
Water and sewer system infrastructure	40
Improvements	20
Town infrastructure - sidewalks	50
- beach nourishment	10-14
Vehicles	5

4. **Compensated Absences**

The Town's general leave policy allows the accumulation of unused vacation leave. Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. Generally, after six months of service, employees are entitled to all accrued vacation leave, subject to the specified maximums, upon termination. Employees are not entitled to unused accrued sick leave at termination.

Accumulated annual leave is accrued when incurred in the government-wide financial statements. A liability is recorded in the governmental fund financial statements only when the payment is due to currently terminating employees.

5. **Long-Term Obligations**

All long-term obligations to be repaid from governmental and business type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as an increase or decrease in the deferred outflows of resources section of the statement of net position. Debt issuance costs are expensed when incurred.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

C. **Assets, Liabilities and Equity (Continued)**

5. **Long-Term Obligations (Continued)**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matures. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

6. **Fund Balance**

*Government-Wide Statements* – Equity is classified as Net Position and displayed in three components:

**Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted Net Position** – Consists of Net Position with constraints place on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** – All other Net Positions that do not meet the definitions of “restricted” or “net investment in capital assets”.

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

*Governmental Funds Statements* – In order to comply with the Governmental Accounting Standard Board’s (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, the components of the fund balance section of the balance sheet of the governmental funds include the following line items:

**Nonspendable fund balance**

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

**Restricted fund balance**

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

THE TOWN OF EDISTO BEACH  
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Fund Balance (Continued)

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Town recognizes committed fund balances that have been approved for specific purposes by Town Council before the fiscal year end.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the Town's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the Town's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Town's highest level of authority. Assigned fund balance amounts in the Town's financial statements represent amounts approved by Town Council to be transferred and spent after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide statements.

Based on the Town's policies regarding fund balance classifications as noted above, the Town considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by Town Council or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

The Town's Council has formally adopted a fund balance policy that states the goal of the Town is to achieve and maintain an unassigned general fund balance equal to two (2) month's expenditures.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

C. **Assets, Liabilities and Equity (Continued)**

7. **Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

8. **Comparative Data**

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

2. **Stewardship, Compliance and Accountability**

A. **Budgets and Budgetary Data**

The Town uses the following procedures in establishing the budgetary data reflected in the required supplementary information budgetary comparison schedule:

During the spring, the Town's Administration (Town Administrator, Department Heads and Financial/Budget Analyst) develops a preliminary budget model for operational and capital expenditures, and develops revenue projections as a proposed means of financing the proposed expenditures.

Prior to the Council's first reading of the budget ordinance, a work session is held to review the draft budget and receive public input.

Upon receipt of the budget estimates, the Council holds a first reading of the budget ordinance. Information about the budget ordinance is then published in a local newspaper. The ordinance sets the limit the fund level, for which expenditures may not exceed appropriations. After two readings of the budget, the Town Council legally adopts the budget through the passage of the ordinance.

Budget accountability rests primarily with the operating departments of the Town. In accomplishing the programs and objectives for which the budget was authorized, department heads are responsible for ensuring that their respective expenditures do not exceed the prescribed funding levels.

For each assigned function, a department is obligated to stay within budget for that area. Typically budget adjustments are made semi-annually. All unused expenditure appropriations lapse at year end. Town Council must approve any revisions (if any) that alter the total expenditures of the General Fund.

The Town prepares the budget on a basis of accounting other than GAAP. Major differences between the budgetary basis and GAAP are (a) the proceeds related to new lease purchase obligations entered into during the year are not budgeted, (b) revenues from grants, contributions and other unusual sources are not budgeted, and (c) capital expenditures that are made using bond proceeds are not budgeted. Expenditures related to non-budgeted revenues are not budgeted. Lease payments are budgeted as part of the operating budgets of the applicable departments.



**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

3. **Detailed Notes On All Funds and Activities**

A. **Deposits and Investments**

1. **Deposits**

At year end, the carrying amount of the Town's deposits with financial institutions was \$3,706,138 and the corresponding bank balance was \$3,734,889.

**Custodial Credit Risk** – For deposits, this is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. At June 30, 2018, the Town was exposed to custodial risk as follows:

Uninsured and collateral held by pledging bank's bond department in Town's name \$3,484,889.

2. **Investments**

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

At June 30, 2018, the Town's unrestricted investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$7,441,897. It is the policy of the State Treasurer that the weighted average maturity of the LGIP portfolio not exceed 60 days. For purposes of financial statement presentation, funds deposited with the SCLGIP and certificates of deposit are classified as cash and cash equivalents.

At June 30, 2018, the Town also has investments restricted for payment of its revenue bond obligations in the amounts of \$286,459 and \$7,060,143 of unspent proceeds of the Series 2017 revenue bonds restricted for construction. The investments comprise direct obligations of the U. S. government held by the paying agent in the Town's name in the amount of \$7,346,602.

**Custodial Credit Risk** – For investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Deposits with the SCLGIP represent participation units of a portfolio of securities. These securities are delivered to a third party financial institution for safekeeping in the name of the South Carolina State Treasurer.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

3. **Detailed Notes On All Funds and Activities (Continued)**

A. **Deposits and Investments (Continued)**

2. **Investments (Continued)**

**Credit Risk** – The Town's investment in the SCLGIP was unrated. Funds are deposited into the State Treasurer's investment pool and the South Carolina State Treasurer is authorized to invest the monies of the pool in the following types of investments: 1) Obligations of the United States, its agencies and instrumentalities; 2) Obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the African Development Bank, and the Asian Development Bank; 3) Obligations of a corporation, state, or political subdivision denominated in United States dollars, if the obligations bear an investment grade rating of at least two nationally recognized rating services; 4) Certificates of deposit, if the certificates are secured collaterally by securities of the types described in items (1) and (3) of this section and held by a third party as escrow agent or custodian and are of a market value not less than the amount of the certificates of deposit so secured, including interest; except that this collateral is not required to the extent the certificates of deposit are insured by an agency of the federal government; 5) Repurchase agreements, if collateralized by securities of the types described in items (1) and (3) of this section and held by a third party as escrow agent or custodian and of a market value not less than the amount of the repurchase agreement so collateralized, including interest; and 6) Guaranteed investment contracts issued by a domestic or foreign insurance company or other financial institution, whose long-term unsecured debt rating bears the two highest ratings of a least two nationally recognized rating services.

**Concentration of Credit Risk** – The Town's investment policy places limits on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U. S. government, money market accounts and investments in external investment pools are excluded from this disclosure requirement.

**Interest Rate Risk** – The Town's investment policy is to mitigate interest rate risk and ensure the preservation of capital in the overall portfolio. Currently, the Town only invests in the external investment pool of the State Treasurer that limits is weighted average maturity to 60 days or less.

B. **Receivables, Uncollectible Accounts, and Unearned Revenue**

1. **Enterprise Receivables, Uncollectible Accounts, and Unearned Revenue**

All accounts receivable of the Enterprise Funds represent amounts due from customers for water and sewer services.

No provision has been made for uncollectible accounts as such amount is deemed immaterial.

Unearned revenues reported in the Enterprise Funds represent five months water and sewer service billed in advance.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

3. **Detailed Notes On All Funds and Activities (Continued)**
- B. **Receivables, Uncollectible Accounts, and Unearned Revenue (Continued)**
2. **Governmental Receivables, Uncollectible Accounts and Unearned Revenue**  
Receivables due from customers for garbage service are reported in the Governmental Fund and governmental activities.

No provision has been made for uncollectible accounts as such amount is deemed immaterial.

Unearned revenues reported in the Governmental Fund represent five months garbage service billed in advance.

3. **Property Taxes Receivable, Unearned Revenue and Property Tax Calendar**  
Property taxes attach as an enforceable lien on real property as of January 1. Tax bills are processed for the Town by Colleton County and are mailed as soon after September 15th of each year as possible. Taxes are payable without penalty until January 15th. Penalties ranging from 3 to 5% become effective on January 16th, and unpaid taxes are turned over to the County Delinquent Tax Collector for execution on March 17th.

Motor vehicle taxes are also processed for the Town by Colleton County and are assessed and billed on a monthly basis based on information furnished to the County by the South Carolina Department of Transportation. Taxes are due when an individual's annual license tag renewal is due and must be paid to the County before obtaining renewal of registration.

In the governmental fund financial statements, property tax revenues are recognized to the extent that they result in current receivables. At fiscal year end, the receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year end, they are recorded as deferred inflows of resources.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the Town regardless of when cash is received. Over time, substantially all property taxes are collected.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

3. **Detailed Notes On All Funds and Activities (Continued)**

C. **Capital Assets**

Capital assets activity for the fiscal year follows:

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>
<b><u>Governmental Activities</u></b>				
<b>Capital assets not depreciated:</b>				
Land	\$ 6,970,944	\$ 180,428	\$ -	\$ 7,151,372
Land improvements	49,999	-	-	49,999
<b>Total Assets Not Depreciated</b>	<b><u>\$ 7,020,943</u></b>	<b><u>\$ 180,428</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,201,371</u></b>
<b>Capital assets depreciated:</b>				
Buildings	\$ 998,243	\$ -	\$ -	\$ 998,243
Improvements other than buildings	920,233			920,233
Machinery and equipment	2,268,728	90,049	(32,178)	2,326,599
Infrastructure - sidewalks	763,375			763,375
- beach nourishment	<u>14,829,327</u>	<u>-</u>	<u>-</u>	<u>14,829,327</u>
<b>Total Assets Depreciated</b>	<b><u>\$ 19,779,906</u></b>	<b><u>\$ 90,049</u></b>	<b><u>\$ (32,178)</u></b>	<b><u>\$ 19,837,777</u></b>
<b>Less accumulated depreciation:</b>				
Buildings	\$ 342,063	\$ 29,887	\$ -	\$ 371,950
Improvements other than buildings	507,514	75,208		582,722
Machinery and equipment	1,611,362	153,150	(32,178)	1,732,334
Infrastructure	<u>171,766</u>	<u>1,074,505</u>	<u>-</u>	<u>1,246,271</u>
<b>Total Accumulated Depreciation</b>	<b><u>\$ 2,632,705</u></b>	<b><u>\$ 1,332,750</u></b>	<b><u>\$ (32,178)</u></b>	<b><u>\$ 3,933,277</u></b>
<b>Total Depreciable Capital Assets, Net</b>	<b><u>\$ 17,147,201</u></b>	<b><u>\$ (1,242,701)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,904,500</u></b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b><u>\$ 24,168,144</u></b>	<b><u>\$ (1,062,273)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 23,105,871</u></b>

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**3. Detailed Notes On All Funds and Activities (Continued)**  
**C. Capital Assets (Continued)**

	July 1	Additions	Deductions	Reclassifications	June 30
<b>Business-type Activities</b>					
<b>Capital assets not depreciated:</b>					
Land	\$ 290,906	\$ -	\$ -	\$ -	\$ 290,906
Construction in progress	416,000	193,793	-	-	609,793
<b>Total Assets Not Depreciated</b>	<b>\$ 706,906</b>	<b>\$ 193,793</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 900,699</b>
<b>Capital assets depreciated:</b>					
Buildings	\$ 90,532	\$ -	\$ -	\$ -	\$ 90,532
System infrastructure	5,328,243				5,328,243
Machinery and equipment	1,104,278	52,662	-	-	1,156,940
<b>Total Assets Depreciated</b>	<b>\$ 6,523,053</b>	<b>\$ 52,662</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,575,715</b>
<b>Less accumulated depreciation:</b>					
Buildings	\$ 69,889	\$ 3,442	\$ -	\$ -	\$ 73,331
System infrastructure	3,203,768	135,905			3,339,673
Machinery and equipment	980,290	58,046	-	-	1,038,336
<b>Total Accumulated Depreciation</b>	<b>\$ 4,253,947</b>	<b>\$ 197,393</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,451,340</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 2,269,106</b>	<b>\$ (144,731)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,124,375</b>
<b>Total Business-type Activities Capital Assets, Net</b>	<b>\$ 2,976,012</b>	<b>\$ 49,062</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,025,074</b>

Depreciation expense was charged to functions on the Statement of Activities as follows:

<b><u>Governmental Activities</u></b>	
General government	\$ 36,478
Public safety	146,688
Public works	6,349
Recreation and culture	73,442
Beach preservation	1,069,793
Total	<b>\$ 1,332,750</b>
<b><u>Business-type Activities</u></b>	
Water and sewer	\$ 197,393
Total	<b>\$ 197,393</b>

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

3. **Detailed Notes On All Funds and Activities (Continued)**

C. **Capital Assets (Continued)**

Property with a carrying value of \$5,562,766 at June 30, 2018 is required to be held by the Town in perpetuity for the use of the public.

The Town also owns property with a carrying value of \$615,000 that is required to remain a recreational area and never to be sold by the Town. Property with a carrying value of \$230,900 is required to be used for public outdoor recreation and may not be converted to other use without approval of the Secretary of the Interior.

D. **Long-Term Debt**

The following is long-term debt activity for the year ended June 30:

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>	<u>Due Within One Year</u>
<b><u>Business-Type Activities</u></b>					
Revenue bonds	\$ 1,480,000	\$ 7,255,000	\$ 290,000	\$ 8,445,000	\$ 185,000
Premiums	-	163,052	4,325	158,727	-
<b>Total</b>	<b><u>\$ 1,480,000</u></b>	<b><u>\$ 7,418,052</u></b>	<b><u>\$ 294,325</u></b>	<b><u>\$ 8,603,727</u></b>	<b><u>\$ 185,000</u></b>
<b><u>Governmental Activities</u></b>					
Compensated absences	\$ 49,945	-	\$ 2,831	\$ 47,114	\$ 36,891
General obligation bonds	2,150,000	-	70,000	2,080,000	70,000
<b>Total</b>	<b><u>\$ 2,199,945</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 72,831</u></b>	<b><u>\$ 2,127,114</u></b>	<b><u>\$ 106,891</u></b>
<b>Total Long-Term Debt</b>	<b><u>\$ 3,679,945</u></b>	<b><u>\$ 7,418,052</u></b>	<b><u>\$ 367,156</u></b>	<b><u>\$ 10,730,841</u></b>	<b><u>\$ 291,891</u></b>

Long-term debt payable at June 30, 2018 is composed of the following issues:

**Revenue Bonds**

Series 2012 bonds - due in installments beginning in 2012 to and including 2042; interest at 1.25% to 4.00% \$ 1,440,000

Series 2017 bonds - due in installments beginning in 2018 to and including 2047; interest at 2.00% to 4.00% 7,005,000

**Total Revenue Bonds For Business-Type Activities** **\$ 8,445,000**

**General Obligation Bonds**

\$2,700,000 general obligation bonds of 2007 - due in installments beginning in 2008 and including 2037; interest at 4.3% to 5.0%. \$ 2,080,000

**Total General Obligation Bonds For Governmental Activities** **\$ 2,080,000**

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

3. **Detailed Notes On All Funds and Activities (Continued)**

D. **Long-Term Debt (Continued)**

The annual requirements to amortize all debt outstanding at June 30, 2018, including interest payments are as follows:

**BUSINESS-TYPE ACTIVITIES**  
**REVENUE BONDS**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 185,000	\$ 301,265	\$ 486,265
2020	190,000	296,075	486,075
2021	195,000	290,735	485,735
2022	200,000	285,245	485,245
2023	205,000	279,415	484,415
2024-2028	1,135,000	1,298,214	2,433,214
2029-2033	1,345,000	1,089,969	2,434,969
2034-2038	1,610,000	813,332	2,423,332
2039-2043	1,940,000	486,425	2,426,425
2044-2047	1,440,000	144,900	1,584,900
	<u>\$ 8,445,000</u>	<u>\$ 5,285,575</u>	<u>\$ 13,730,575</u>

**GOVERNMENTAL ACTIVITIES**  
**GENERAL OBLIGATION BONDS**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 70,000	\$ 101,925	\$ 171,925
2020	75,000	98,775	173,775
2021	80,000	95,400	175,400
2022	80,000	91,400	171,400
2023	85,000	87,400	172,400
2024-2028	485,000	369,200	854,200
2029-2033	605,000	241,350	846,350
2034-2037	600,000	76,750	676,750
	<u>\$ 2,080,000</u>	<u>\$ 1,162,200</u>	<u>\$ 3,242,200</u>

**TOTAL LONG-TERM DEBT**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 255,000	\$ 403,190	\$ 658,190
2020	265,000	394,850	659,850
2021	275,000	386,135	661,135
2022	280,000	376,645	656,645
2023	290,000	366,815	656,815
2024-2028	1,620,000	1,667,414	3,287,414
2029-2033	1,950,000	1,331,319	3,281,319
2034-2038	2,210,000	890,082	3,100,082
2039-2043	1,940,000	486,425	2,426,425
2044-2047	1,440,000	144,900	1,584,900
	<u>\$ 10,525,000</u>	<u>\$ 6,447,775</u>	<u>\$ 16,972,775</u>

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

3. **Detailed Notes On All Funds and Activities (Continued)**

D. **Long-Term Debt (Continued)**

Specific years for payment of compensated absences are not determinable.

There are a number of limitations and restrictions contained in the revenue bond ordinance. The Town is in compliance with all significant limitations and restrictions.

The Town's legal general obligation debt limit without referendum is 8.0% of the assessed valuation of property upon which it levies property taxes, or approximately \$4,281,000.

4. **Retirement Plan**

All full time employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS).

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11 member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the Systems and the trust funds. By law, the Budget and Control Board, which consist of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA is considered a division of the primary government of the state of South Carolina and, therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**Plan Description**

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.



**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

4. **Retirement Plan (Continued)**

**Membership**

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

SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state or to prevent and control property destruction by fire. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

**Benefits**

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

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

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

4. **Retirement Plan (Continued)**  
**Benefits (Continued)**

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

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

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

**Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty year amortization period; and, this increase is not limited to one-half of one percent per year.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**4. Retirement Plan (Continued)**  
**Contributions (Continued)**

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than ninety percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from ninety to eighty-five.

Required employee contribution rates are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
<b>SCRS</b>		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
<b>PORS</b>		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

Required employer contribution rates are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
<b>SCRS</b>		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
<b>PORS</b>		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Benefit	0.20%	0.20%

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**4. Retirement Plan (Continued)**  
**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. At June 30, 2017, the Town's proportion was .008282% of SCRS and .046030% for PORS.

As of June 30, 2018, the Town reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	SCRS	PORS	TOTAL
Proportionate Share of Net Pension Liability	\$ 1,864,411	\$ 1,260,992	\$ 3,125,403

Included in the net pension liability is \$2,267,773 related to governmental activities and \$857,630 related to business-type activities. Typically, the General Fund or the Utility Fund, based on whichever fund an employee is assigned to and to which the employee's pension costs are charged, will be the fund to liquidate the net pension liability.

For the year ended June 30, 2018, the Town recognized pension expense of \$345,912, of which \$289,034 is related to governmental activities and \$56,878 is related to business-type activities. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 244,064
Difference between actual and expected experience	633,617	
Pension contributions to the plan subsequent to the measurement date	194,663	-
Total	\$ 828,280	\$ 244,064

\$194,663 reported as deferred outflows of resources related to pension contributions subsequent to the measurement date will impact the net pension liability in fiscal year 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending June 30	Amount
2019	\$ 103,827
2020	164,357
2021	123,075
2022	(1,706)

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**4. Retirement Plan (Continued)**

**Actuarial Assumptions and Methods**

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the system's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.25%	7.25%
Projected Salary Increases	3.5% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**4. Retirement Plan (Continued)**

**Actuarial Assumptions and Methods (Continued)**

Assumptions used in the determination of the June 30, 2017, TPL are as follows:

Former Job Class	Males	Females
General Employees	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments is based upon the 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>45.0%</b>		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
<b>Opportunistic</b>	<b>17.0%</b>		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

4. **Retirement Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Town, calculated using the discount rate of 7.25 percent, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) of 1 percentage point higher (8.25 percent) than the current rate:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Net pension liability of the Town	\$ 4,105,550	\$ 3,125,403	\$ 2,450,793

**Pension Plan Fiduciary Net Position**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.PEBA.sc.gov](http://www.PEBA.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia SC 29223.

5. **Other Postemployment Benefits (OPEB)**

The Town does not provide postemployment benefits other than pension benefits described in Note 4.

6. **Balances and Transfers/Payments Within the Reporting Entity**

A. **Receivables and Payables**

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, or other miscellaneous receivables or payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (that is, the current portion of interfund loans) or "advances to/from other funds" (that is, the noncurrent portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

6. **Balances and Transfers/Payments Within the Reporting Entity (Continued)**

A. **Receivables and Payables (Continued)**

At June 30, 2018 there was an \$8,067 internal balance between governmental activities and business-type activities.

B. **Transfers and Payments**

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The following schedule reports transfers and payments within the reporting entity:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Local Accommodations Tax Special Revenue Fund	General Fund	\$ 100,000
Hospitality Tax Special Revenue Fund	General Fund	126,670
Tourism Special Revenue Fund	General Fund	50,000
Beach Nourishment Capital Projects Fund	Local Accommodations Tax Special Revenue Fund	<u>700,000</u>
		<u>\$ 976,670</u>

The government-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. There were no transfers during fiscal year 2018.

7. **Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these losses, the Town purchases insurance. There were no significant reductions in insurance coverage from the previous year. Settled claims have not exceeded insurance coverage for the past three fiscal years. The Town also acquires insurance for job related injury and illness (workers' compensation) for its employees. Workers' compensation is insured under a retrospectively rated policy where premiums paid are estimated throughout the year and adjusted subsequent to the policy period based on actual experience. The Town acquires business interruption insurance to cover the loss of revenues. The general fund and the utilities fund each have \$1,000,000 coverage.

8. **Litigation**

Various suits and claims against the Town are presently pending involving claims for miscellaneous cases. In the opinion of management, both individually and in the aggregate, such suits or claims will not have a material effect on the financial position of the Town.



**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

9. **Grant Programs**  
The Town participates in several state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives periodically. Such grant programs include FEMA and various other state and local grants.
10. **Contract Commitments**  
The Town has open construction contracts totaling approximately \$6,680,000 at June 30, 2018 for water system capital improvements. The commitments will be paid from investments restricted to fund the costs and expenses relating to the various water system capital improvements to the Town's water utility system.
11. **Subsequent Events**  
Subsequent events have been evaluated by management of the Town through October 31, 2018, which represents the date the financial statements were available to be issued.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
For The Year Ended June 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b><u>REVENUES</u></b>				
General property taxes	\$ 1,035,229	\$ 1,035,229	\$ 1,186,146	\$ 150,917
Local option sales taxes	150,000	150,000	166,847	16,847
Other taxes	47,625	47,625	45,145	(2,480)
Licenses and permits	736,030	721,030	749,156	28,126
Charges for services	669,115	669,265	656,847	(12,418)
Fines and forfeitures	58,000	58,500	77,809	19,309
Intergovernmental revenues	318,013	318,013	318,434	421
Interest revenues	12,000	13,770	57,882	44,112
Rental revenues	78,030	78,030	83,555	5,525
Grant revenues	18,216	469,763	232,670	(237,093)
Miscellaneous revenues	11,100	19,375	32,442	13,067
<b>Total Revenues</b>	<b><u>\$ 3,133,358</u></b>	<b><u>\$ 3,580,600</u></b>	<b><u>\$ 3,606,933</u></b>	<b><u>\$ 26,333</u></b>
<b><u>EXPENDITURES</u></b>				
<b>Current</b>				
<b>General government</b>				
Town administration	\$ 930,882	\$ 1,393,213	\$ 1,380,348	\$ 12,865
Municipal court	90,545	90,545	88,622	1,923
Building inspector	220,020	220,020	200,941	19,079
<b>Public safety</b>				
Police department	572,347	601,045	518,608	82,437
Fire department	529,666	531,223	499,307	31,916
<b>Public works</b>				
Streets and roads	538,871	552,601	544,162	8,439
Contingency	78,866	8,050		8,050
<b>Debt service</b>				
Principal	70,000	70,000	70,000	-
Interest	105,075	105,075	105,075	-
Capital outlay	180,000	180,000	270,477	(90,477)
<b>Total Expenditures</b>	<b><u>\$ 3,316,272</u></b>	<b><u>\$ 3,751,772</u></b>	<b><u>\$ 3,677,540</u></b>	<b><u>\$ 74,232</u></b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	<b><u>\$ (182,914)</u></b>	<b><u>\$ (171,172)</u></b>	<b><u>\$ (70,607)</u></b>	<b><u>\$ 100,565</u></b>
<b><u>OTHER FINANCIAL SOURCES (USES)</u></b>				
Transfers in	\$ 265,000	\$ 265,000	\$ 276,670	\$ 11,670
<b>Total Other Financial Sources (Uses)</b>	<b><u>\$ 265,000</u></b>	<b><u>\$ 265,000</u></b>	<b><u>\$ 276,670</u></b>	<b><u>\$ 11,670</u></b>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<b><u>\$ 82,086</u></b>	<b><u>\$ 93,828</u></b>	<b><u>\$ 206,063</u></b>	<b><u>\$ 112,235</u></b>
<b><u>FUND BALANCES - BEGINNING</u></b>	<b><u>4,854,156</u></b>	<b><u>4,854,156</u></b>	<b><u>4,854,156</u></b>	<b><u>-</u></b>
<b><u>FUND BALANCES - ENDING</u></b>	<b><u>\$ 4,936,242</u></b>	<b><u>\$ 4,947,984</u></b>	<b><u>\$ 5,060,219</u></b>	<b><u>\$ 112,235</u></b>

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY OF COST SHARING DEFINED BENEFIT PLAN**  
**SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)**  
**LAST 10 YEARS\***  
June 30, 2018

	June 30			
	2018	2017	2016	2015
Town's proportion of the net pension liability	0.008282%	0.007958%	0.008010%	0.008364%
Town's proportionate share of the net pension liability	\$ 1,864,411	\$ 1,699,817	\$ 1,519,135	\$ 1,440,004
Town's covered - employee payroll	\$ 827,093	\$ 835,614	\$ 770,629	\$ 751,015
Town's proportionate share of the net pension liability as percentage of covered-employee payroll	225.42%	203.42%	197.13%	191.75%
Plan's fiduciary net position	\$ 25,732,829,268	\$ 23,996,362,354	\$ 25,131,828,101	\$ 25,738,521,026
Plan fiduciary net position as a percentage of the total pension liability	53.30%	52.90%	57.00%	59.90%

\* - Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY OF COST SHARING DEFINED BENEFIT PLAN**  
**POLICE OFFICERS RETIREMENT SYSTEM (PORS)**  
**LAST 10 YEARS\***  
June 30, 2018

	June 30			
	2018	2017	2016	2015
Town's proportion of the net pension liability	0.046030%	0.043020%	0.045880%	0.045390%
Town's proportionate share of the net pension liability	\$ 1,260,992	\$ 1,091,115	\$ 999,866	\$ 869,054
Town's covered - employee payroll	\$ 599,069	\$ 628,696	\$ 556,508	\$ 576,940
Town's proportionate share of the net pension liability as percentage of covered-employee payroll	210.49%	173.55%	179.67%	150.63%
Plan's fiduciary net position	\$ 4,274,123,178	\$ 3,876,035,072	\$ 3,971,824,838	\$ 3,985,102
Plan fiduciary net position as a percentage of the total pension liability	60.90%	60.40%	64.60%	67.50%

\* - Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SCHEDULE OF CONTRIBUTIONS TO COST**  
**SHARING DEFINED BENEFIT PLAN**  
**SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)**  
**LAST 10 YEARS\***  
June 30, 2018

	June 30			
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 112,154	\$ 95,344	\$ 85,232	\$ 81,860
Contributions in relation to the actuarially determined contributions	112,154	95,344	85,232	81,860
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 827,093	\$ 835,614	\$ 770,629	\$ 751,015
Contributions as a percentage of covered-employee payroll	13.56%	11.56%	11.06%	10.90%
Notes to Schedule:				
Valuation date:	06/30/17	06/30/16	06/30/15	06/30/14

\* - Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SCHEDULE OF CONTRIBUTIONS TO COST**  
**SHARING DEFINED BENEFIT PLAN**  
**POLICE OFFICERS RETIREMENT SYSTEM (PORS)**  
**LAST 10 YEARS\***  
June 30, 2018

	June 30			
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 97,289	\$ 87,012	\$ 75,351	\$ 76,214
Contributions in relation to the actuarially determined contributions	<u>97,289</u>	<u>87,012</u>	<u>75,351</u>	<u>76,214</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 599,069	\$ 628,696	\$ 556,508	\$ 576,940
Contributions as a percentage of covered-employee payroll	16.24%	14.24%	13.74%	13.41%
Notes to Schedule:				
Valuation date:	06/30/17	06/30/16	06/30/15	06/30/14

\* - Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2018

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	TOURISM FUND	ALCOHOL PERMIT FUND	FIRE DEPARTMENT I&I FUND	VOLUNTEER FIRE DEPARTMENT FUND	
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 315,491	\$ 28,878	\$ 13,592	\$ 74,504	\$ 432,465
<b>Total Assets</b>	<b>\$ 315,491</b>	<b>\$ 28,878</b>	<b>\$ 13,592</b>	<b>\$ 74,504</b>	<b>\$ 432,465</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>Liabilities</u></b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>Fund Balances</u></b>					
Restricted	\$ 315,491	\$ 28,878	\$ 13,592	\$ -	\$ 357,961
Assigned	-	-	-	74,504	74,504
<b>Total Fund Balances</b>	<b>\$ 315,491</b>	<b>\$ 28,878</b>	<b>\$ 13,592</b>	<b>\$ 74,504</b>	<b>\$ 432,465</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 315,491</b>	<b>\$ 28,878</b>	<b>\$ 13,592</b>	<b>\$ 74,504</b>	<b>\$ 432,465</b>

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For The Fiscal Year Ended June 30, 2018

	<u>SPECIAL REVENUE FUNDS</u>				<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>TOURISM FUND</u>	<u>ALCOHOL PERMIT FUND</u>	<u>FIRE DEPARTMENT I&amp;I FUND</u>	<u>VOLUNTEER FIRE DEPARTMENT FUND</u>	
<b><u>REVENUES</u></b>					
Accommodations taxes	\$ 261,884	\$ -	\$ -	\$ -	\$ 261,884
Intergovernmental revenues		21,000	29,906		50,906
Donations and special events				6,878	6,878
Interest revenues	<u>841</u>	<u>17</u>	<u>10</u>	<u>42</u>	<u>910</u>
<b>Total Revenues</b>	<b><u>\$ 262,725</u></b>	<b><u>\$ 21,017</u></b>	<b><u>\$ 29,916</u></b>	<b><u>\$ 6,920</u></b>	<b><u>\$ 320,578</u></b>
<b><u>EXPENDITURES</u></b>					
<b>Current</b>					
Public safety	\$ -	\$ -	\$ 19,259	\$ 24,379	\$ 43,638
Recreation and culture	<u>62,707</u>	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>70,707</u>
<b>Total Expenditures</b>	<b><u>\$ 62,707</u></b>	<b><u>\$ 8,000</u></b>	<b><u>\$ 19,259</u></b>	<b><u>\$ 24,379</u></b>	<b><u>\$ 114,345</u></b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	<b><u>\$ 200,018</u></b>	<b><u>\$ 13,017</u></b>	<b><u>\$ 10,657</u></b>	<b><u>\$ (17,459)</u></b>	<b><u>\$ 206,233</u></b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfer out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ (50,000)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (50,000)</u></b>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<b><u>\$ 150,018</u></b>	<b><u>\$ 13,017</u></b>	<b><u>\$ 10,657</u></b>	<b><u>\$ (17,459)</u></b>	<b><u>\$ 156,233</u></b>
<b><u>FUND BALANCES - BEGINNING</u></b>	<b><u>165,473</u></b>	<b><u>15,861</u></b>	<b><u>2,935</u></b>	<b><u>91,963</u></b>	<b><u>276,232</u></b>
<b><u>FUND BALANCES - ENDING</u></b>	<b><u>\$ 315,491</u></b>	<b><u>\$ 28,878</u></b>	<b><u>\$ 13,592</u></b>	<b><u>\$ 74,504</u></b>	<b><u>\$ 432,465</u></b>



**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SCHEDULE OF FINES AND ASSESSMENTS**  
For The Year Ended June 30, 2018

Fines collected	<u>\$</u> <u>26,370</u>
Total assessment and surcharges to be collected	<u>\$</u> <u>43,157</u>
State assessment and surcharges	\$ 38,225
Local assessment and surcharges	<u>4,932</u>
Total assessment and surcharges collected	<u>\$</u> <u>43,157</u>
State assessment and surcharges remitted	\$ 37,250
Local assessment and surcharges retained by Town for victims assistance	4,932
Audit fee withheld from remittance	<u>975</u>
Total	<u>\$</u> <u>43,157</u>
Local assessment sent to Colleton County under agreement to provide victims assistance	<u>\$</u> <u>4,932</u>

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SCHEDULE OF HISTORICAL NET REVENUES AND**  
**DEBT SERVICE COVERAGE – WATER AND SEWER FUND**  
June 30, 2018

	Year Ended June 30						
	2018	2017	2016	2015	2014	2013	2012
Charges for Services	\$ 1,669,287	\$ 1,503,099	\$ 1,421,099	\$ 1,437,149	\$ 1,394,240	\$ 1,401,371	\$ 1,368,389
Interest Income	91,919	23,461	13,701	5,756	4,224	5,859	6,564
Miscellaneous Income	150	13,175				13,060	
Less: Expenses	(1,155,906)	(1,351,884)	(1,057,653)	(1,112,031)	(1,083,391)	(1,286,512)	(1,124,351)
Plus: Depreciation	197,393	211,587	199,253	204,234	235,031	232,973	236,083
Revenues Net of Expenses	605,450	187,851	377,147	330,874	315,073	133,778	250,602
Net Revenues	802,843	399,438	576,400	535,108	550,104	366,751	486,685
Total Debt Service/Parity Bonds	467,315	92,450	87,919	88,356	88,794	104,325	55,531
Debt Service Coverage Ratio	1.72	4.32	6.56	6.06	6.20	3.52	8.76

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SYSTEM STATISTICS**  
June 30, 2018

**General**

The Town operates a combined water treatment and distribution system and a wastewater collection and treatment system (the "System"). The water system component of the System consists of six groundwater wells, a 100,000 gallon elevated storage tank, a 200,000 gallon storage tank, two booster pump stations, and approximately 26 miles of waterline piping. The Town serves drinking water to approximately 2,365 water customers. The Town also operates a 350,000 gallon per day wastewater treatment lagoon, 13 individual lift stations, and approximately 13 miles of sewer piping. There are approximately 1,047 customers served by the Town's sewer system.

The service area for water and sewer is the entire municipal limits of the Town which is four square miles, plus the Edisto Beach State Park and limited other outlying service areas. The Town Council reviews each request for service outside of the municipal limits. There is currently a total of 20 water taps outside of the municipal limits. The service area is comprised mainly of residential dwellings used as vacation homes or rented on a short-term basis during the summer months along with 28 commercial establishments serving the needs of the tourism industry. Also included in the service area is the Edisto Beach State Park which is one of the most heavily visited of the South Carolina State Parks with approximately 334,879 recorded visitors in 2015.

**Description of the Water System**

The Town began operation of its water system (the "Water System") in 1970 through the acquisition and consolidation of four privately owned water systems that had previously provided water in its service area. The Town's Water System has been upgraded, improved, and expanded since that time to serve the growing Town as well as some outside areas. Within the Town, connections to the Water System are mandatory for homes and businesses that are located within 100 feet of the Town's water main.

The Town maintains and manages its Water System with 6 full-time employees assigned to its operation.

Currently, water service is provided directly to all of the Town's residences within its incorporated Town limits and several commercial facilities in the adjoining unincorporated areas. There are no wholesale customers of the Water System.

***Present Water Service Area***

The Town's present water service area includes approximately 7.2 square miles, and consists of Edisto Beach, Edisto Beach State Park, and other unincorporated portions of Colleton County on adjoining Edisto Island.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SYSTEM STATISTICS**  
June 30, 2018

**Water Supply**

The Town currently has a 100,000 gallon elevated storage tank that is supplied by four wells and two booster pumps. The Town also has a 200,000 gallon ground storage tank and two additional wells that help meet fluctuating water demands produced by the tourist population. The demand for water in 2017 fluctuated from 241,000 gallons per day to 1.6 million gallons per day. The Town is permitted by the South Carolina Department of Health and Environmental Control (“DHEC”) to extract 256 million gallons per year from the six wells. The Water System consists of 138,516 linear feet, or 28.23 miles, of pipe. Pipe widths vary and range from 10-inch water mains (7,336 feet), 8-inch water mains (39,108 feet), 6-inch water mains (67,622 feet), to 2 and 3-inch water lines (35,200 feet). In 2013, the Town added 5,380 linear feet of water line and 6 fire hydrants. In 2016, the Town added 5,370 linear feet of water line and 11 fire hydrants.

The Town’s water supply problems are twofold. The Town’s water is produced from groundwater wells in the Santee Limestone aquifer which contain elevated chloride, fluoride, and sodium concentrations that affect taste and may cause corrosion in the distribution system and residential plumbing and appliances. In addition, the Water System is subjected to high seasonal demands during the summer tourist season which far exceed the demands during winter months. Combining reverse osmosis water treatment with additional supply and storage is the recommended solution to the dual problems of water quality and water supply for the Town.

The following table sets forth the average daily flow for the Water System in each of the last five Fiscal Years.

<u>Fiscal Year</u>	<u>Average Daily Flow (MGD)</u>
2012	0.593
2013	0.527
2014	0.484
2015	0.418
2016	0.450
2017	0.452
2018	0.395

The Town’s well water supply has exceeded State of South Carolina recommended limits on naturally occurring fluoride content of drinking water. The Water System does not, however, exceed U. S. Environmental Protection Agency (“EPA”) limits on fluoride in drinking water. Consequently, the Town is under no order or other regulatory action of either the State or federal authorities regarding the fluoride content of its drinking water.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SYSTEM STATISTICS**  
June 30, 2018

**Water System Improvements to be Funded by Series 2017 Bonds**

The Town's Water System improvement project consists of two new 10-inch wells approximately 580 feet deep with submersible pumps and variable frequency drive motors and approximately 10,000 feet of new transmission water main to connect the wells to the treatment plant providing additional water supply and the water supply needed to account for loss of water during the treatment process. Existing drinking water quality and removal of fluoride, sodium, and chloride will be improved by the construction of a building to house a new water treatment plant consisting of three reverse osmosis treatment skids each with a permeate capacity of 320 gallons per minute for a combined treatment capacity of 1,200 gallons per minute, including a 20% blend with raw well water, chemical systems, motor control center, emergency generator, high service pumps, control room including a supervisory control, and data acquisition (SCADA) computer control system, office, and restroom. The water treatment discharge line will consist of approximately 1,900 feet of line into the Atlantic Ocean. A concrete clearwell will be constructed under the treatment plant building to provide additional storage of 290,000 gallons. Automatic control valves will be installed on the fill line of both the existing elevated storage tank and the ground storage tank to control the filling of the tanks for water demand.

**Description of the Sewer System**  
*Sewer System*

The wastewater treatment facility on Edisto Beach was constructed in 1986. Funding was provided through a HUD Community Development Grant and private developers in the Town (Fairfield Ocean Ridge and Marian Associates). The facility consists of an influent static screen, a multi-celled dual power level aerated lagoon consisting of one (1) complete mixed cell, three (3) partially mixed cells, and one (1) settling cell. Following the aerated lagoon, the effluent is disinfected via gaseous chlorination and routed through a "V" notch weir for flow measurement to an effluent holding pond. From the effluent holding pond, the water is used for irrigation of the Fairfield Ocean Ridge golf course.

Sewer service is provided directly to homes and businesses within the Town's incorporated limits at the option, where feasible, of the home or business owner. Property owners that are being provided sewer service from existing septic tank and tile field systems are not required to tie to the Town's Sewer System if the septic tank and tile field system is operable and being maintained in good working order. There are currently approximately 1,300 lots served by septic tank and tile field systems, most of which are residential lots. Most of the residential lots are currently served by septic tanks. Property owners who obtain new connections to the Sewer System are required to pay the costs of connection, including the cost of any extension of the Town's wastewater collection lines to accommodate the subject property. There are no wholesale customers of the Sewer System.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SYSTEM STATISTICS**  
June 30, 2018

***Service Area***

The Town currently provides sewer service within the approximately 7.2 square miles of its incorporated limits. At this time, the Town has no plans to provide sewer service beyond its present sewer service area. The Town also operates a small reverse osmosis facility located at Town Hall and available without charge to all people.

***Wastewater Collection and Treatment Facilities***

The Town has 13 lift stations at various locations on the beach. All are pumped via force mains to the wastewater treatment facility located at 2417 Holmes Street. The wastewater facility is a biological aerated lagoon. Microorganisms digest the waste and the effluent is treated with chlorine and used by Plantation Golf course for irrigation. The Sewer System's total length of force mains is 23,175 linear feet or 4.38 miles. Of this total, there are 17,275 feet of 4-inch force mains and 5,900 feet of 6-inch force mains. The total length of gravity sewer lines extends 47,999 feet or 9.09 miles. Of this total, there are 3,160 feet of 10-inch gravity mains and 44,839 feet of 8-inch gravity mains. The system contains 269 man holes for servicing. The wastewater system is permitted to treat 350,000 gallons per day. The Town maintains and manages its Sewer System with 7 full-time employees assigned to its operations.

The following table sets forth the average daily flow for the Sewer System and the peak daily flow in each of the last five Fiscal Years.

<u>Fiscal Year</u>	<u>Average Daily Flow (MGD)</u>	<u>Peak Flow (MGD)</u>
2014	0.152626	0.236614
2015	0.130268	0.201357
2016	0.156339	0.172579
2017	0.138332	0.348059
2018	0.165000	0.382000

The wastewater treatment facilities are currently reaching about 65% of treatment capacity. The Town does not expect Sewer System usage to require an expansion of the wastewater treatment facilities in the next five Fiscal Years.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SYSTEM STATISTICS**  
June 30, 2018

**Customers**

Set forth below are the historical number of water and sewer customers (measured by number of accounts) of the System and the growth during the period of Fiscal Year 2014 through Fiscal Year 2018.

**Historical Customer Accounts**

<u>Fiscal Year</u>	<u>Water</u>	<u>% Increase</u>	<u>Sewer</u>	<u>% Increase</u>
2014	2,344	0.51	1,038	0.38
2015	2,359	0.64	1,046	0.77
2016	2,365	0.38	1,047	0.09
2017	2,369	0.16	1,050	0.28
2018	2,378	0.37	1,051	0.09

**Largest Customers**

Set forth below is information relating to the ten largest water and sewer customers of the System for the Fiscal Year 2018.

**Ten Largest Water Customers**  
(For Fiscal Year 2018)

<u>Customer</u>	<u>Product/Use</u>	<u>Approximate Annual Water Consumption (Gallons)</u>	<u>Water System Annual Revenues</u>
Edisto Beach State Park	State Park	1,078,000	\$ 8,854
Waterfront Restaurant	Restaurant	915,730	8,727
Family Dinner LLC	Restaurant	795,010	7,440
Bi Lo	Grocery	784,600	7,194
EnMarket	Convenience Store	765,000	7,256
Wyndham Resorts	Resort	689,300	6,173
Homeowner	Residence	678,310	2,175
Homeowner	Residence	673,700	2,111
Homeowner	Residence	668,790	2,198
Homeowner	Residence	662,290	5,935
<b>Total</b>		<b>7,710,730</b>	<b>\$ 58,063</b>

The top ten water customers accounted for 5.3% of current charges for the System in Fiscal Year 2018.

**THE TOWN OF EDISTO BEACH**  
**Edisto Beach, South Carolina**

**SYSTEM STATISTICS**  
**June 30, 2018**

**Ten Largest Sewer Customers**  
**(For Fiscal Year 2018)**

<u>Customer</u>	<u>Product/Use</u>	<u>Approximate Annual Sewer Consumption (Gallons)</u>	<u>Sewer System Annual Revenues</u>
Waterfront Restaurant	Restaurant	915,730	\$ 8,728
Family Dinner LLC	Restaurant	795,010	7,440
Bi Lo	Grocery	784,600	7,194
EnMarket	Convenience Store	765,000	7,256
Wyndham Resorts	Resort	689,300	6,173
Plantation Commercial Center	Resort	662,290	5,935
Edisto Island Yacht Club	Yacht Club	648,120	6,584
Wyndham Resorts	Resort	620,530	4,432
Wyndham Resorts	Resort	566,600	4,077
Homeowner	Residence	534,230	4,138
<b>Total</b>		<b>6,981,410</b>	<b>\$ 61,957</b>

The top ten sewer customers accounted for 10.2% of current charges for the System in Fiscal Year 2018.





**K. EVE McCOY, CPA, LLC**

P. O. Box 6951  
Columbia, South Carolina 29260  
803-256-9100

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

The Mayor and Town Council  
The Town of Edisto Beach  
Edisto Beach, South Carolina

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edisto Beach, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Edisto Beach's basic financial statements, and have issued my report thereon dated October 31, 2018.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 1 and 2 that I consider to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

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

K. Eve McCoy, CPA, LLC

October 31, 2018

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
For The Year Ended June 30, 2018

<u>FEDERAL GRANTOR/STATE AGENCY, PASS-THROUGH</u> <u>GRANTOR/PROGRAM TITLE/STATE PROJECT</u>	<u>CFDA</u> <u>NUMBER</u>	<u>CONTRACT</u> <u>GRANT</u> <u>NUMBER</u>	<u>EXPENDITURES</u>
<b>Federal Expenditures</b>			
<b>Department of Homeland Security</b>			
<b>Federal Emergency Management Agency</b>			
<b>Passed through the State of South Carolina</b>			
<b>Division of Emergency Management Public</b>			
<b>Assistance Program</b>			
FEMA-4286-PA-SC-Hurricane Matthew	97.036	000-UOQOS-00	\$ 96,900
FEMA-4346-PA-SC-Hurricane Irma	97.036	029-23020-00	148,765
<b>U. S. Department of Commerce</b>			
<b>Passed through the State of South Carolina</b>			
<b>Department of Health and Environmental</b>			
<b>Control</b>			
Coastal Access Grant	11.419	CM-6-551	<u>24,750</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 270,415</u></u>

**SCHEDULE OF STATE FINANCIAL ASSISTANCE**

<b>State Financial Assistance</b>			
<b>Emergency Management Division</b>			
<b>Public Assistance Program</b>			
FEMA-4286-PA-SC-Hurricane Matthew	N/A	000-UOQOS-00	\$ 32,300
<b>Department of Health and Environmental Control</b>			
Mosquito Control	N/A	EQ-8-168	<u>2,216</u>
<b>Total Expenditures of State Financial Assistance</b>			<u><u>\$ 34,516</u></u>

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SCHEDULE OF FINDINGS AND RESPONSES**  
For The Year Ended June 30, 2018

**SUMMARY OF AUDIT RESULTS**

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

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**Reportable Conditions:**

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

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

**Cause:** The Town's long-term experienced Finance/Budget Analyst unexpectedly retired during the year. Current Town personnel do not possess the technical skills necessary to prepare the financial statements and related note disclosures.

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

**Recommendation:** Management should take steps toward gaining the experience needed to prepare financial statements presented in accordance with generally accepted accounting principles.

**THE TOWN OF EDISTO BEACH**  
Edisto Beach, South Carolina

**SCHEDULE OF FINDINGS AND RESPONSES**  
For The Year Ended June 30, 2018

**FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**Reportable Conditions: (Continued)**

***Management's Response:*** Although we did not prepare the financial statements, we reviewed and approved them prior to issuance to ensure every possible step was taken to detect misstatements. However, the Town's management agrees that gaining additional experience in financial statement preparation in accordance with generally accepted accounting principles is reasonable.

2. ***Control Deficiency:*** The Town did not have personnel experienced in the Town's accounting software and/or governmental accounting for a portion of 2018.

***Criteria:*** The accounting/finance department should be appropriately staffed with experienced personnel and other Town personnel should be cross trained to provide a properly staffed department at all times.

***Cause:*** The Town's long-term experienced Finance/Budget Analyst unexpectedly retired during the year.

***Effect:*** Failure to properly balance certain accounts within the general ledger and the individual funds in the general ledger resulted in incomplete and incorrect financial information.

***Recommendation:*** The Town should continue to provide software and governmental accounting training to its finance staff and cross train other individuals within the Town. I recommend the Town contract with a CPA firm or other experienced accounting professional to provide accounting oversight.

***Management's Response:*** The Town does have multiple layers of appropriately, trained personnel familiar with the accounting software and trained to provide governmental accounting for the Town including accounts payables, receivables, payroll, financial statements and establish the budget. When the Town's long-term, experienced Finance/Budget Analyst retired earlier than scheduled, training on year-end postings and closeouts that was in process was not completed. This combined with the unexpected resignation of an appropriately qualified person hired to replace the Finance/Budget Analyst after only three months resulted in the incomplete and incorrect financial information. The Town has contacted the software company and has been in negotiations to have them provide onsite training to multiple personnel in all areas of the accounting system. The Town has also hired a CPA that began working with the new Finance/Budget Analyst to familiarize them with accounting terminology and basics. Additionally, staff will be attending and receiving additional training through the Government Finance Officers Association which will address the deficiency.

**FINDINGS – FEDERAL AWARD PROGRAM AUDIT**

Not applicable.