

TOWN OF EDISTO BEACH, SOUTH CAROLINA

**GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

YEAR ENDED JUNE 30, 2020

**WITH
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Edisto Beach, South Carolina, the ("Town") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 - 11, the Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities on page 46, and the Schedule of South Carolina Retirement Systems Contributions on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Balance Sheet – Nonmajor Governmental Funds on page 48, the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds on page 49, and the Schedule of Court Fines, Fees, Assessments and Surcharges on page 50, the Schedule of Historical Net Revenues and Debt Service Coverage – Water and Sewer Fund on page 51, and the System Statistics on page 52 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Balance Sheet – Nonmajor Governmental Funds, the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds, and the Schedule of Court Fines, Fees, and Assessments are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Balance Sheet – Nonmajor Funds, the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Funds, and the Schedule of Court Fines, Fees, Assessments and Surcharges are fairly stated, in all material aspects, in relation to the basic financial statements as a whole.

The Schedule of Historical Net Revenues and Debt Service Coverage – Water and Sewer Fund and the System Statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, December 3, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

The Brittingham Group LLP

West Columbia, South Carolina

December 3, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Town of Edisto Beach submits to the readers of the Town's financial statements the overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

The combined Governmental Activities and Business Type Activities assets of the Town of Edisto Beach exceeded its combined liabilities at the end of the fiscal year by \$33,220,570 (net position). Of this amount, a balance of \$8,897,112 was considered unrestricted at this time.

The combined Governmental Activities and Business Type Activities revenues and other financial sources totaled \$6,846,590 and combined expenses totaled \$5,563,456. Accordingly, combined revenues exceeded expenses by \$1,283,134.

At the end of fiscal year 2020, the governmental restricted fund balance was \$3,431,807, the committed fund balance was \$1,021,912, the assigned fund balance was \$128,495 and the unassigned fund balance was \$5,260,396. Accordingly, \$5,260,396 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$6,414,654 for the General Fund, the Town's principal operating fund.

The Town of Edisto Beach's Business Type Activity reported an increase in net position at the end of the fiscal year of \$721,374.

At the end of fiscal year 2020, the Town's Business Type Activity reported unrestricted cash and cash equivalents of \$4,182,982.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as primer on the Town's basic financial statements. The Town's basic financial statements have three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with an overview of the Town of Edisto Beach's finances, in a manner similar to businesses in the private sector business.

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

The Statement of Activities presents information detailing how the Town of Edisto Beach'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 changes occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years. (e.g. uncollected taxes and earned but unused compensated absences). A compensated absence is a work absence in which the employee will be paid. (e.g. sick leave, vacation leave and holiday leave).

Both of the government-wide financial statements distinguish functions of the Town that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through user fees and charges (business-type activities).

The governmental activities of the Town of Edisto Beach include administration, police, fire and streets and sanitation, recreation, and code enforcement. The business-type activity of the Town of Edisto Beach is the combined utility system which offers water service and sewer service.

The government-wide financial statements include the Town, also known as the primary government. The government-wide financial statements are listed on pages 12 -13 of this document.

Fund financial statements. A fund is a grouping of related accounts that is used to exercise control over resources that have been segregated for specific activities. The Town of Edisto Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town of Edisto Beach can be divided into these categories:

Governmental funds

Proprietary funds

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

Because the focus of governmental funds is narrower than the focus of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Local Accommodations Tax Fund, Hospitality Tax Fund, and Beach Nourishment Fund due to them being considered the material funds of the Town. The Town adopts an annual operating and capital budget for the General fund. The basic governmental fund financial statements are listed on pages 14 - 18 of this document.

Proprietary funds. The Town maintains one enterprise fund, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The Town uses its enterprise fund to account for its combined utility system, comprised of water and sewer operations. Proprietary funds provide the same types of information as the government-wide financial statements.

The basic proprietary funds financial statements can be found on pages 19 - 22 of this report.

Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are listed on pages 23 – 45 of this document.

Other information. In addition to the basic financial statements and accompanying notes, the report also represents certain other financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2020 financial statements are financials issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34, and a continuance of this new era of financial reporting. Prior to the adoption of GASB 34, the Town was required to report fund and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net position of the Town as an entity. Under the GASB 34 model for fiscal year 2020, the government-wide statements are reported using an economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue as cash when it is received and recognizes expenses when cash is paid.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$33,220,570 at the close of fiscal year 2020.

Net position is reported in three categories:

Net investment in capital assets	\$ 20,423,259
Restricted	3,900,199
Unrestricted	8,897,112
	<u>\$ 33,220,570</u>

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital investments to provide services to citizen customers; consequently, these assets are not available for future expenditures. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following tables present a summary of the Town's Statement of Net Position as of June 30, 2020 and 2019:

Town of Edisto Beach's Condensed Statement of Net Position - June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 10,274,782	\$ 5,462,232	\$ 15,737,014
Capital assets	20,924,207	9,504,052	30,428,259
Total assets	31,198,989	14,966,284	46,165,273
Deferred outflows	265,277	129,876	395,153
Total assets and deferred outflows	31,464,266	15,096,160	46,560,426
Long-term liabilities outstanding	3,031,707	8,422,743	11,454,450
Other liabilities	526,912	1,028,731	1,555,643
Total liabilities	3,558,619	9,451,474	13,010,093
Deferred inflows	147,690	182,073	329,763
Total liabilities and deferred inflows	3,706,309	9,633,547	13,339,856
Net position:			
Net investment in capital assets	18,989,207	1,434,052	20,423,259
Restricted	3,431,807	468,392	3,900,199
Unrestricted	5,336,943	3,560,169	8,897,112
Total net position	\$ 27,757,957	\$ 5,462,613	\$ 33,220,570

Town of Edisto Beach's Condensed Statement of Net Position - June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 9,679,772	\$ 8,482,663	\$ 18,162,435
Capital assets	21,839,566	6,117,407	27,956,973
Total assets	31,519,338	14,600,070	46,119,408
Deferred outflows	412,533	183,655	596,188
Total assets and deferred outflows	31,931,871	14,783,725	46,715,596
Long-term liabilities outstanding	4,085,610	9,078,312	13,163,922
Other liabilities	536,547	934,317	1,470,864
Total liabilities	4,622,157	10,012,629	14,634,786
Deferred inflows	113,517	29,854	143,371
Total liabilities and deferred inflows	4,735,674	10,042,483	14,778,157
Net position:			
Net investment in capital assets	19,829,566	1,113,259	20,942,825
Restricted	3,087,386	204,402	3,291,788
Unrestricted	4,279,245	3,423,581	7,702,826
Total net position	\$ 27,196,197	\$ 4,741,242	\$ 31,937,439

The following tables are summaries of revenues and expenses for fiscal years 2020 and 2019:

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 1,050,467	\$ 2,032,106	\$ 3,082,573
Operating Grants and Contributions	123,262	-	123,262
General revenues	3,548,490	92,265	3,640,755
Total revenue	4,722,219	2,124,371	6,846,590
Expenses:			
General government	1,497,320	-	1,497,320
Public safety	831,431	-	831,431
Public works	175,842	-	175,842
Recreation and culture	238,013	-	238,013
Beach preservation	1,316,631	-	1,316,631
Water and sewer	-	1,402,997	1,402,997
Interest	98,269	-	98,269
Total expenses	4,157,506	1,402,997	5,560,503
Loss on disposal of assets	(2,953)	-	(2,953)
Increase (decrease) in net position before transfers	561,760	721,374	1,283,134
Increase (decrease) in net position	<u>\$ 561,760</u>	<u>\$ 721,374</u>	<u>\$ 1,283,134</u>

Town of Edisto Beach's Statement of Activities - June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 784,183	\$ 1,791,832	\$ 2,576,015
Grants and contributions	610,057	-	610,057
General revenues	3,802,565	183,192	3,985,757
Total revenue	5,196,805	1,975,024	7,171,829
Expenses:			
General government	1,513,787	-	1,513,787
Public safety	1,261,631	-	1,261,631
Public works	299,622	-	299,622
Recreation and culture	196,085	-	196,085
Beach preservation	1,542,465	-	1,542,465
Water and sewer	-	1,474,780	1,474,780
Interest	101,138	-	101,138
Total expenses	4,914,728	1,474,780	6,389,508
Increase (decrease) in net position before transfers	282,077	500,244	782,321
Increase (decrease) in net position	<u>\$ 282,077</u>	<u>\$ 500,244</u>	<u>\$ 782,321</u>

Governmental activities. Governmental activities net position increased \$561,760 during the fiscal year. Governmental activities show a decrease in revenues and a decrease in expenditures when compared to fiscal year 2019. The decrease in expenditures is due to less expenditures associated with grant funding and being more conservative during the pandemic.

Business-type activities. Business-type activities consist of the water and sewer systems. Total revenues of \$2,124,371 exceeded total expenses of \$1,402,977 for an operational gain of \$721,374. Compared to fiscal year 2019 Business-type revenues are trending upward due to an increase in usage rates for services. Business-type expenses decreased from 2019 primarily because there were less repairs and maintenance needed on the system.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus on the Town's governmental funds is to provide information on inflow, outflow and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of fiscal year 2020, the Town's governmental funds reported a combined ending fund balance of \$9,842,610. The Town's governmental fund consist of the general fund, local accommodations tax, hospitality tax, beach nourishment and other non-major funds.

Proprietary funds. One of the Town's larger component of proprietary fund net position is the investment in capital assets, net of related debt, \$1,434,052 or 26% of the Town's total proprietary fund net assets

GENERAL FUND BUDGETARY HIGHLIGHTS

Selected variances between fiscal years 2020 and 2019 General Fund actual revenues were as follows:

• \$ (63,547)	Accommodations taxes	24.95%	decrease
• \$ 264,876	Charges for services	36.84%	increase
• \$ (486,795)	Grant revenues	79.79%	decrease
• \$ (52,657)	Donations	72.50%	decrease

Accommodations taxes decreased due to a lack of tourism on the island because of the pandemic. The 36.84% increase was due to an increase in rates for garbage services. Grant revenues decreased as expected as projects were completed from past FEMA storm events. Additionally, donations decreased due to the delay in mailing solicitations for donations during the pandemic.

PROPRIETARY FUNDS BUDGET HIGHLIGHTS

Selected variances between fiscal years 2020 and 2019 Proprietary Fund actual revenues were as follows:

• \$ 240,273	Charges for services	13.41%	increase
• \$ (90,927)	Interest	49.63%	decrease

The variance in charges for services was due to a regular increase in rates. There was a decrease in interest revenue due to bond proceeds being used on completed water plant project therefore there was a decrease in the amount of money held in interest bearing accounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town of Edisto Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$30,428,259 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events in the current year included the following (See *Note 6*):

- In order for the Town to continue to meet the needs of its citizens and provide high quality services, the Town purchased several new vehicles in the public safety department and the public works/streets and sanitation department.
- During the year, the Town purchased or constructed improvements for both water and sewer services the Town provides.
 - The water/sewer department completed its R/O facility which will enable the Town to provide even higher quality services to its customers.

Town of Edisto Beach's Capital Assets - Net of Accumulated Depreciation - 2020

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets	\$ 7,240,522	\$ 290,906	\$ 7,531,428
Buildings and structures	566,521	10,452	576,973
Land Improvements	259,827	-	259,827
Vehicles, furniture and equipment	659,916	187,863	847,779
Infrastructure	12,197,421	9,014,831	21,212,252
	<u>\$ 20,924,207</u>	<u>\$ 9,504,052</u>	<u>\$ 30,428,259</u>

Town of Edisto Beach's Capital Assets - Net of Accumulated Depreciation - 2019

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets	\$ 7,201,371	\$ 4,019,526	\$ 11,220,897
Buildings and structures	596,407	13,805	610,212
Land improvements	264,680	-	264,680
Vehicles, furniture and equipment	505,182	235,481	740,663
Infrastructure	13,271,926	1,848,595	15,120,521
	<u>\$ 21,839,566</u>	<u>\$ 6,117,407</u>	<u>\$ 27,956,973</u>

Long-term debt. At the end of the current fiscal year, the Town of Edisto Beach had total bonded debt outstanding of \$10,005,000. \$8,070,000 of the debt is reported in the Water/Sewer Fund and is secured by the gross revenues of the utility system. \$1,935,000 of the debt is reported in the Governmental Activities Fund and is secured by property tax revenues.

The net pension liability was introduced in 2015 with the adoption of GASB Statement number 68 and represents the long-term liabilities for payment to retirees, net of the Town's current pension investments.

For additional information about the Town's outstanding long-term debt as of June 30, 2020, please see *Note 8*.

Town of Edisto Beach's Long-Term Debt - 2020

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	\$ 1,935,000	\$ -	\$ 1,935,000
Revenue bonds	-	8,070,000	8,070,000
Compensated absences	18,151	32,600	50,751
Accrued interest	24,188	112,739	136,927
	<u>\$ 1,977,339</u>	<u>\$ 8,215,339</u>	<u>\$ 10,192,678</u>

Town of Edisto Beach's Long-Term Debt - 2019

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	\$ 2,010,000	\$ -	\$ 2,010,000
Revenue bonds	-	8,260,000	8,260,000
Compensated absences	43,117	-	43,117
Accrued interest	24,694	112,739	137,433
	<u>\$ 2,077,811</u>	<u>\$ 8,372,739</u>	<u>\$ 10,450,550</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total revenues continue to be moderated by the effects of the economy and the Town's rural location. General Fund revenues continue to remain steady. There has been an active real estate market and much new construction. Tourism has remained unexpectedly steady with an expanded season.

The Town adjusted utility rates in 2020 to address the increasing needs of the Combined Utilities Fund and to address past deferred capital and maintenance of the system. Analysis of the Year 2020 proprietary fund will occur in fiscal year 2021 to determine the impact of the prior year rate increase. Now that the utility rates have been increased to a level that fully sustains the fund, the Town will need to continue as indicated by the Water Rate Study increasing the water and sewer rates for the next two years by 5% to allow for capital costs. Improvements to the water and sewer systems are of moderate concern due to some recent weather-related events. If the trend in waste receptacle hauls continues, the garbage rate will need to be adjusted to cover the costs of the service.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the Town of Edisto Beach's finances. Questions concerning any of the information provided in this report or requests for additional information should be forwarded to:

Town Administrator
Town of Edisto Beach
2414 Murray Street
Edisto Island, South Carolina 29438

TOWN OF EDISTO BEACH
STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,576,311	\$ 4,182,982	\$ 13,759,293
Receivables			
Taxes	40,740	-	40,740
Accounts	369,667	792,492	1,162,159
Inventory	-	28,854	28,854
Internal balances	10,488	(10,488)	-
Total current assets	<u>9,997,206</u>	<u>4,993,840</u>	<u>14,991,046</u>
Restricted assets:			
Cash and cash equivalents	277,576	-	277,576
Investments	-	468,392	468,392
Total restricted assets:	<u>277,576</u>	<u>468,392</u>	<u>745,968</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	7,240,522	290,906	7,531,428
Depreciable, net of accumulated depreciation	13,683,685	9,213,146	22,896,831
Total noncurrent assets	<u>20,924,207</u>	<u>9,504,052</u>	<u>30,428,259</u>
Total assets	<u>31,198,989</u>	<u>14,966,284</u>	<u>46,165,273</u>
Deferred outflows of resources			
Amounts from refunding of debt	-	57,124	57,124
Pension plan	265,277	72,752	338,029
Total assets and deferred outflows of resources	<u>31,464,266</u>	<u>15,096,160</u>	<u>46,560,426</u>
Liabilities			
Current liabilities:			
Accounts payable and other accrued liabilities	39,172	88	39,260
Interest payable	24,188	112,739	136,927
Unearned revenue	365,401	688,304	1,053,705
Compensated absences	18,151	32,600	50,751
Bonds payable	80,000	195,000	275,000
Total current liabilities	<u>526,912</u>	<u>1,028,731</u>	<u>1,555,643</u>
Long-term liabilities:			
Bonds payable	1,855,000	7,875,000	9,730,000
Net pension obligation	1,176,707	547,743	1,724,450
Total long term liabilities	<u>3,031,707</u>	<u>8,422,743</u>	<u>11,454,450</u>
Total liabilities	<u>3,558,619</u>	<u>9,451,474</u>	<u>13,010,093</u>
Deferred inflows of resources			
Amounts from refunding of debt	-	141,212	141,212
Pension plan	147,690	40,861	188,551
Total deferred inflows of resources	<u>147,690</u>	<u>182,073</u>	<u>329,763</u>
Net position			
Net investment in capital assets	18,989,207	1,434,052	20,423,259
Restricted	3,431,807	468,392	3,900,199
Unrestricted	5,336,943	3,560,169	8,897,112
Total net position	<u>\$ 27,757,957</u>	<u>\$ 5,462,613</u>	<u>\$ 33,220,570</u>

See accompanying notes.

TOWN OF EDISTO BEACH

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 1,497,320	\$ 983,858	\$ 123,262	\$ (390,200)	\$ -	\$ (390,200)
Public safety	831,431	66,609	-	(764,822)	-	(764,822)
Public works	175,842	-	-	(175,842)	-	(175,842)
Recreation and culture	238,013	-	-	(238,013)	-	(238,013)
Beach preservation	1,316,631	-	-	(1,316,631)	-	(1,316,631)
Interest	98,269	-	-	(98,269)	-	(98,269)
Total governmental activities	4,157,506	1,050,467	123,262	(2,983,777)	-	(2,983,777)
Business-type activities						
Water and sewer	1,402,997	2,032,106	-	-	629,109	629,109
Total business-type activities	1,402,997	2,032,106	-	-	629,109	629,109
Total primary government	\$ 5,560,503	\$ 3,082,573	\$ 123,262	(2,983,777)	629,109	(2,354,668)
General revenues:						
Taxes						
Property taxes				1,135,923	-	1,135,923
Local option sales taxes				141,586	-	141,586
Accommodations taxes				711,710	-	711,710
Hospitality taxes				191,179	-	191,179
Licenses and permits				754,811	-	754,811
Intergovernmental revenues				350,632	-	350,632
Interest				120,028	92,265	212,293
Rental revenues				98,981	-	98,981
Loss on disposal of assets				(2,953)	-	(2,953)
Miscellaneous revenues				43,640	-	43,640
Total general revenues				3,545,537	92,265	3,637,802
Change in net position				561,760	721,374	1,283,134
Net position, at beginning of year				27,196,197	4,741,239	31,937,436
Net position, end of year				\$ 27,757,957	\$ 5,462,613	\$ 33,220,570

See accompanying notes.

TOWN OF EDISTO BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

	General Fund	Local Accomodations Tax Special Revenue Fund	Hospitality Tax Special Revenue Fund	Beach Nourishment Capital Projects Fund	Nonmajor Governmental Funds	Total
Assets						
Cash and cash equivalents	\$ 6,407,328	\$ 1,462,595	\$ 342,471	\$ 700,425	\$ 663,492	\$ 9,576,311
Cash and cash equivalents - restricted	-	277,576	-	-	-	277,576
Taxes	40,740	-	-	-	-	40,740
Accounts	369,667	-	-	-	-	369,667
Grants	-	-	-	-	-	-
Due from other funds	10,488	-	-	-	-	10,488
Total Assets	<u>\$ 6,828,223</u>	<u>\$ 1,740,171</u>	<u>\$ 342,471</u>	<u>\$ 700,425</u>	<u>\$ 663,492</u>	<u>\$ 10,274,782</u>
Liabilities, deferred inflows of resources, and fund balances						
Liabilities						
Accounts payable	\$ 19,050	\$ 18,603	\$ -	\$ -	\$ -	\$ 37,653
Accrued liabilities	1,519	-	-	-	-	1,519
Unearned revenue	365,401	-	-	-	-	365,401
Total Liabilities	<u>385,970</u>	<u>18,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404,573</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	<u>27,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,599</u>
Fund Balances						
Restricted	132,346	1,721,568	342,471	700,425	534,997	3,431,807
Committed	1,021,912	-	-	-	-	1,021,912
Assigned	-	-	-	-	128,495	128,495
Unassigned	5,260,396	-	-	-	-	5,260,396
Total Fund Balances	<u>6,414,654</u>	<u>1,721,568</u>	<u>342,471</u>	<u>700,425</u>	<u>663,492</u>	<u>9,842,610</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,828,223</u>	<u>\$ 1,740,171</u>	<u>\$ 342,471</u>	<u>\$ 700,425</u>	<u>\$ 663,492</u>	<u>\$ 10,274,782</u>

See accompanying notes.

TOWN OF EDISTO BEACH

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

JUNE 30, 2020

Reconciliation of Balance Sheet Governmental Funds to Net Position of Governmental Activities:

Total Fund Balances - Total Governmental Funds		\$	9,842,610
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.			20,924,207
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.			27,599
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			265,277
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			(147,690)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Accrued compensated absences	\$	(18,151)	
Accrued interest		(24,188)	
Bonds payable		(1,935,000)	
Net pension obligation		<u>(1,176,707)</u>	<u>(3,154,046)</u>
Net Position of Governmental Activities		\$	<u><u>27,757,957</u></u>

See accompanying notes.

TOWN OF EDISTO BEACH

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

YEAR ENDED JUNE 30, 2020

	General Fund	Local Accommodations Tax Special Revenue Fund	Hospitality Tax Special Revenue Fund	Beach Nourishment Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues						
General property taxes	\$ 1,149,064	\$ -	\$ -	\$ -	\$ -	\$ 1,149,064
Local option sales taxes	141,586	-	-	-	-	141,586
Accommodations taxes	46,930	437,025	-	-	227,755	711,710
Hospitality taxes	-	-	191,179	-	-	191,179
Licenses and permits	754,811	-	-	-	-	754,811
Charges for services	983,858	-	-	-	-	983,858
Fines and forfeitures	66,609	-	-	-	-	66,609
Intergovernmental revenues	316,153	-	-	-	34,479	350,632
Grant revenues	104,124	-	19,138	-	-	123,262
Interest revenues	86,503	22,821	3,777	316	6,611	120,028
Rental revenues	98,981	-	-	-	-	98,981
Miscellaneous revenues	17,366	-	-	-	26,274	43,640
Total Revenues	<u>3,765,985</u>	<u>459,846</u>	<u>214,094</u>	<u>316</u>	<u>295,119</u>	<u>4,735,360</u>
Expenditures						
General government	1,594,237	-	-	-	-	1,594,237
Public safety	1,160,236	-	-	-	38,272	1,198,508
Public works	234,326	-	-	-	-	234,326
Recreation and culture	-	-	10,241	-	157,201	167,442
Beach preservation	281,067	65,752	-	1,050	-	347,869
Debt service	173,775	-	-	-	-	173,775
Capital outlay	353,092	-	59,412	-	-	412,504
Total Expenditures	<u>3,796,733</u>	<u>65,752</u>	<u>69,653</u>	<u>1,050</u>	<u>195,473</u>	<u>4,128,661</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,748)</u>	<u>394,094</u>	<u>144,441</u>	<u>(734)</u>	<u>99,646</u>	<u>606,699</u>
Other Financing Sources (Uses)						
Transfers in	320,589	-	-	-	-	320,589
Transfers out	-	(150,000)	(120,589)	-	(50,000)	(320,589)
Total Other Financing Sources (Uses)	<u>320,589</u>	<u>(150,000)</u>	<u>(120,589)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>289,841</u>	<u>244,094</u>	<u>23,852</u>	<u>(734)</u>	<u>49,646</u>	<u>606,699</u>
Fund Balances - Beginning	<u>6,124,813</u>	<u>1,477,474</u>	<u>318,619</u>	<u>701,159</u>	<u>613,846</u>	<u>9,235,911</u>
Fund Balances - Ending	<u>\$ 6,414,654</u>	<u>\$ 1,721,568</u>	<u>\$ 342,471</u>	<u>\$ 700,425</u>	<u>\$ 663,492</u>	<u>\$ 9,842,610</u>

See accompanying notes.

TOWN OF EDISTO BEACH

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Government	\$ 606,699
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.	412,505
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(1,324,911)
Loss on governmental capital assets included in the governmental activities in the Statement of Activities	(2,953)
Repayment of debt decreases long-term liabilities in the Statement of Activities.	75,000
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(13,141)
Decrease in accrued compensated absences is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	24,966
Decrease in accrued interest payable is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	506
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>783,089</u>
Change in Net Position - Governmental Activities	<u><u>\$ 561,760</u></u>

TOWN OF EDISTO BEACH

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance with Final Budget Positive or Negative
Revenues			
General property taxes	\$ 1,215,275	\$ 1,149,064	\$ (66,211)
Local option sales taxes	161,000	141,586	(19,414)
Accommodations taxes	48,000	46,930	(1,070)
Licenses and permits	706,430	754,811	48,381
Charges for services	945,562	983,858	38,296
Fines and forfeitures	74,000	66,609	(7,391)
Intergovernmental revenues	318,425	316,153	(2,272)
Grant revenues	101,171	104,124	2,953
Interest revenues	56,012	86,503	30,491
Rental revenues	89,421	98,981	9,560
Miscellaneous revenues	49,598	17,366	(32,232)
Total Revenues	<u>3,764,894</u>	<u>3,765,985</u>	<u>1,091</u>
Expenditures			
General government	1,832,493	1,594,237	238,256
Public safety	1,580,462	1,160,236	420,226
Public works	275,236	234,326	40,910
Beach preservation	339,267	281,067	58,200
Debt service	175,075	173,775	1,300
Capital outlay	235,500	353,092	(117,592)
Total Expenditures	<u>4,438,033</u>	<u>3,796,733</u>	<u>641,300</u>
Deficiency of Revenues			
Under Expenditures	<u>(673,139)</u>	<u>(30,748)</u>	<u>642,391</u>
Other Financing Sources			
Transfers in	<u>345,000</u>	<u>320,589</u>	<u>(24,411)</u>
Total Other Financing Sources	<u>345,000</u>	<u>320,589</u>	<u>(24,411)</u>
Net Change in Fund Balances	<u>\$ (328,139)</u>	289,841	<u>\$ 617,980</u>
Fund Balances - Beginning		<u>6,124,813</u>	
Fund Balances - Ending		<u>\$ 6,414,654</u>	

See accompanying notes.

TOWN OF EDISTO BEACH

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2020

Assets

Current assets	
Cash and cash equivalents	\$ 4,182,982
Accounts receivable	792,492
Inventory	28,854
Total current assets	<u>5,004,328</u>
Restricted assets	
Investments	468,392
Total restricted assets	<u>468,392</u>
Noncurrent assets	
Capital assets:	
Non-depreciable	290,906
Depreciable, net of accumulated depreciation	9,213,146
Total noncurrent assets	<u>9,504,052</u>
Total assets	<u>14,976,772</u>

Deferred outflows of resources

Amounts from refunding of debt	57,124
Pension plan	72,752
Total assets and deferred outflows of resources	<u>15,106,648</u>

Liabilities

Current Liabilities	
Accounts payable	88
Interfund due to	10,488
Compensated absences	32,600
Unearned revenue	688,304
Interest payable	112,739
Bonds payable	195,000
Total Current Liabilities	<u>1,039,219</u>
Long-term liabilities:	
Bonds payable	7,875,000
Net pension obligation	547,743
Total Long-term liabilities:	<u>8,422,743</u>
Total liabilities	<u>9,461,962</u>

Deferred inflows of resources

Amounts from refunding of debt	141,212
Pension plan	40,861
Total liabilities and deferred inflows of resources	<u>9,644,035</u>

Net position

Net investment in capital assets	1,434,052
Restricted	468,392
Unrestricted	3,560,169
Total net position	<u><u>\$ 5,462,613</u></u>

See accompanying notes.

TOWN OF EDISTO BEACH

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

YEAR ENDED JUNE 30, 2020

Operating revenues	
Charges for services	\$ 2,032,106
Total operating revenue	<u>2,032,106</u>
Operating expenses	
Personal services	377,071
Operating expenses	506,221
Depreciation and amortization	<u>223,630</u>
Total operating expenses	<u>1,106,922</u>
Operating income	<u>925,184</u>
Nonoperating revenues (expenses)	
Interest income	92,265
Interest expense	<u>(296,075)</u>
Total nonoperating revenues (expenses)	<u>(203,810)</u>
Change in net position	721,374
Total net position, beginning	<u>4,741,239</u>
Total net position, ending	<u><u>\$ 5,462,613</u></u>

TOWN OF EDISTO BEACH

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities

Receipts from customers	\$ 2,004,791
Payments to suppliers	(520,082)
Payments to employees	(596,713)
Net cash provided by operating activities	<u>887,996</u>

Cash flows from capital and related financing activities

Acquisition and construction of capital assets	(3,612,608)
Interest paid on debt	(296,075)
Principal payments on debt	(190,000)
Due to / due from other funds	28,458
Net cash used by capital and related financing activities	<u>(4,070,225)</u>

Cash flows from investing activities

Interest income	<u>92,265</u>
Net cash provided by investing activities	<u>92,265</u>
Net increase in cash and cash equivalents	(3,089,964)
Cash and cash equivalents, beginning	7,741,338
Cash and cash equivalents, ending	<u>\$ 4,651,374</u>

Classified As:

Unrestricted assets	\$ 4,182,982
Restricted assets	468,392
	<u>\$ 4,651,374</u>

(CONTINUED)

TOWN OF EDISTO BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

-CONTINUED-

**Reconciliation of operating income to
net cash provided by operating activities**

Operating income	\$ 925,184
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	223,630
Changes in assets	
Accounts receivable	(97,991)
Changes in liabilities	
Accounts payable	(13,862)
Unearned revenue	70,677
Compensated absences	32,600
Pension related assets and liabilities	(252,242)
Net cash provided by operating activities	<u>\$ 887,996</u>

See accompanying notes.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1. Summary of Significant Accounting Policies

The Town of Edisto Beach (the "Town") 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 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.

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 government 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.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government. These statements distinguish between the Town's *governmental* and *business-type activities*. Taxes and other non-exchange transactions primarily finance the governmental activities whereas fees charged to external parties' finance, in whole or in part, the business-type activities. All of the Town's governmental funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection which follows for more information about fund types.)

Statement of Activities

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements (continued)

Statement of Activities (continued)

Program revenues include fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs. The Town classifies as *general revenues* all revenues that are not program revenues, including all taxes and business license fees.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its governmental funds and proprietary fund. The Town presents separate statements for each fund category-governmental and proprietary.

Operating and Non-Operating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise fund distinguishes *operating* revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The Town generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the Town classifies non-exchange transactions as non-operating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The Town reports as operating most expenses it pays from operating revenues but usually reports interest expense as non-operating.

Fund Accounting

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The Town's funds are classified into two categories - governmental and proprietary.

Governmental Funds

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

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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

Governmental Funds (continued)

Local Accommodations Tax Fund – A special revenue fund, 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.

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.

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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally (or donor) restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Fund - 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 cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Accrual Basis

The Town uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary fund financial statements. Under the accrual basis, the Town generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The Town recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Modified Accrual Basis

The Town uses the modified accrual basis of accounting to report its governmental funds. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual—that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund activities are reported using the accrual basis method of accounting. If measurable, revenue is recognized when earned and expenses when incurred.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and Water and Sewer Enterprise Fund. All annual appropriations lapse at fiscal year-end.

Cash and Cash Equivalents and Investments

Cash includes amounts held in demand deposits. For the purpose of the statement of cash flows, the Town considers all savings and short-term investments purchased with maturities of three months or less to be cash equivalents. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments, if any, are reported at fair value.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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.

Accounts Receivable

The accounts receivable of the Water and Sewer Enterprise Fund consist of unpaid user charges for the water and sewer system of the Town. The amount of unpaid charges is reported net of an allowance for doubtful accounts, when necessary. Property taxes are levied, generally in November, for property on record with Colleton County as of the prior December 31. These taxes are due without penalty by the January 15 following billing. All taxes outstanding for more than ten years are written off. Personal property taxes are levied by the county on a monthly basis.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on their respective financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Capital Assets and Depreciation

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Depreciation of exhaustible capital assets has been provided using the straight-line method over the estimated useful lives as follows:

Buildings	40 - 50
Machinery, equipment, and vehicles	5 - 10
Water and sewer system infrastructure	40
Improvements	20
Town infrastructure - sidewalks	50
Town infrastructure - beach nourishment	14

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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.

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (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 matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently reports deferred outflows of resources in the amount of \$395,153 as of June 30, 2020.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently reports deferred inflows of resources in the amount of \$329,763 as of June 30, 2020.

Net Position/Fund Balances

Net position is classified and presented in three components in the government-wide financial statements:

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.

Fund balance is reported as assigned if the fund balance is constrained by the government’s intent to use the funds for a specific purpose. The Town reports amounts as assigned if constrained through appropriations actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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.

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.

The Town’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

2. Legal Compliance - Budgets

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund, Water and Sewer Enterprise Fund, and Refuse Enterprise Fund.
2. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparisons of the legally adopted budget with actual data on a GAAP basis.
3. Unused appropriations lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
5. Expenditures should not exceed budgeted appropriations at the fund level.

Expenditures approved by Council shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the Town Council.

General Fund actual revenue exceeded budgeted revenue by \$1,091. General Fund budgeted expenditures exceeded actual expenditures by \$641,300.

3. Deposits

At June 30, 2020, the carrying amount of the Town's unrestricted and restricted deposits totaled \$4,328,127 and the bank balance was \$4,371,202 all of which was covered by federal depository insurance and other securities provided by financial institutions.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

4. 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, 2020, the Town's unrestricted investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$9,708,644. It is the policy of the State Treasurer that the weighted average maturity of the LGIP portfolio not to 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, 2020, the Town also has investments restricted for payment of its revenue bond obligations in the amounts of \$468,392. The investments comprise direct obligations of the United States government held by the paying agent in the Town's name.

5. Receivables

Receivables at June 30, 2020, consist of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable:			
Taxes	\$ 40,740	\$ -	\$ 40,740
Waste collection billings	369,667	-	369,667
Water and sewer billings	-	792,492	792,492
Gross receivables	410,407	792,492	1,202,899
Less, allowance for uncollectibles	-	-	-
Net receivables	<u>\$ 410,407</u>	<u>\$ 792,492</u>	<u>\$ 1,202,899</u>

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Receivables (continued)

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.

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

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 7,151,372	\$ -	\$ -	\$ 7,151,372
Land Improvements	49,999	-	-	49,999
Construction in progress	-	39,151	-	39,151
Total capital assets, not being depreciated	<u>7,151,372</u>	<u>39,151</u>	<u>-</u>	<u>7,240,522</u>
Capital assets, being depreciated				
Buildings	998,243	-	-	998,243
Land improvements	893,423	58,566	-	951,989
Machinery and Equipment	2,370,412	314,788	(26,094)	2,659,106
Infrastructure - Sidewalks	763,375	-	-	763,375
Infrastructure - Beach Nourishment	14,829,327	-	-	14,829,327
Total capital assets, being depreciated	<u>19,854,780</u>	<u>373,354</u>	<u>(26,094)</u>	<u>20,202,040</u>
Less accumulated depreciation for:				
Buildings	(401,836)	(29,886)	-	(431,722)
Land improvements	(655,553)	(59,750)	23,141	(692,162)
Machinery and equipment	(1,838,420)	(160,770)	-	(1,999,190)
Infrastructure	(2,320,776)	(1,074,505)	-	(3,395,281)
Total accumulated depreciation	<u>(5,216,585)</u>	<u>(1,324,911)</u>	<u>23,141</u>	<u>(6,518,355)</u>
Total capital assets, being depreciated, net	<u>14,638,195</u>	<u>(951,557)</u>	<u>(2,953)</u>	<u>13,683,685</u>
Governmental activities capital assets, net	<u>\$ 21,789,567</u>	<u>\$ (912,406)</u>	<u>\$ (2,953)</u>	<u>\$ 20,924,207</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 290,906	\$ -	\$ -	\$ 290,906
Construction in progress	3,728,620	-	(3,728,620)	-
Total capital assets, not being depreciated	<u>4,019,526</u>	<u>-</u>	<u>(3,728,620)</u>	<u>290,906</u>
Capital assets, being depreciated				
Buildings	90,530	-	-	90,530
System infrastructure	5,315,979	7,334,864	-	12,650,843
Machinery and equipment	1,216,298	6,364	-	1,222,662
Total capital assets, being depreciated	<u>6,622,807</u>	<u>7,341,228</u>	<u>-</u>	<u>13,964,035</u>
Less accumulated depreciation for:				
Buildings	(76,727)	(3,351)	-	(80,078)
System infrastructure	(3,469,715)	(166,297)	-	(3,636,012)
Machinery and equipment	(980,817)	(53,982)	-	(1,034,799)
Total accumulated depreciation	<u>(4,527,259)</u>	<u>(223,630)</u>	<u>-</u>	<u>(4,750,889)</u>
Total capital assets, being depreciated, net	<u>2,095,548</u>	<u>7,117,598</u>	<u>-</u>	<u>9,213,146</u>
Business-type activities capital assets, net	<u>\$ 6,115,074</u>	<u>\$ 7,117,598</u>	<u>\$ (3,728,620)</u>	<u>\$ 9,504,052</u>

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 38,806
Public Safety	151,910
Public Works	1,288
Recreation and culture	70,571
Beach preservation	1,062,336

Total depreciation - governmental activities	<u>\$ 1,324,911</u>
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Business type activities:

Water and sewer	\$ 223,630
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Total depreciation - business type activities	<u>\$ 223,630</u>
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Property with a carrying value of \$5,562,766 at June 30, 2020 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.

7. Interfund Receivables, Payables and Transfers

Interfund transfers:

	<u>General Fund</u>	<u>Accomodations Tax Fund</u>	<u>Hospitality Tax Fund</u>	<u>Tourism Tax Fund</u>	<u>Total</u>
General fund	\$ -	\$ 150,000	\$ 120,589	\$ 50,000	\$ 320,589
Accomodations tax fund	(150,000)	-	-	-	(150,000)
Hospitality tax fund	(120,589)	-	-	-	(120,589)
Tourism fund	(50,000)	-	-	-	(50,000)
Total transfers	<u>\$ (320,589)</u>	<u>\$ 150,000</u>	<u>\$ 120,589</u>	<u>\$ 50,000</u>	<u>\$ -</u>

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt

Revenue Bonds

The Town has the following long-term debt outstanding as of June 30, 2020:

General Obligation Bonds

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

\$ 1,935,000

Total general obligation bonds for governmental activities

\$ 1,935,000

Debt service requirements to maturity of the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 95,400	\$ 80,000	\$ 175,400
2022	91,400	80,000	171,400
2023	87,400	85,000	172,400
2024	83,150	90,000	173,150
2025	78,650	95,000	173,650
2026-2030	320,740	525,000	845,740
2031-2035	181,010	665,000	846,010
2036-2037	23,750	315,000	338,750
	<u>\$ 961,500</u>	<u>\$ 1,935,000</u>	<u>\$ 2,896,500</u>

Revenue Bonds

Series 2012 bonds - due in annual installments beginning in 2012 to and concluding in 2042; interest at 1.25% to 4.00%

\$ 1,360,000

Series 2017 bonds - due in annual installments beginning in 2018 to and concluding in 2047; interest at 2.00% to 4.00%

6,710,000

Total revenue bonds for business type activities

\$ 8,070,000

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Debt service requirements to maturity for the revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 290,735	\$ 195,000	\$ 485,735
2022	285,245	200,000	485,245
2023	279,415	205,000	484,415
2024	273,169	215,000	488,169
2025	266,696	220,000	486,696
2026-2030	1,222,430	1,210,000	2,432,430
2031-2035	988,691	1,440,000	2,428,691
2036-2040	686,153	1,735,000	2,421,153
2041-2045	350,700	1,905,000	2,255,700
2046-2047	45,000	745,000	790,000
	<u>\$ 4,688,234</u>	<u>\$ 8,070,000</u>	<u>\$ 12,758,234</u>

Changes in long-term liabilities for the year ended June 30, 2020 are as follows:

	<u>Balances as of July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances as of June 30, 2020</u>	<u>Due within One Year</u>
Governmental activities:					
General obligation bonds	\$ 2,010,000	\$ -	\$ (75,000)	\$ 1,935,000	\$ 80,000
Compensated absences	43,117	-	(24,966)	18,151	18,151
Accrued interest	24,694	24,188	(24,694)	24,188	24,188
Total governmental activities	<u>\$ 84,660</u>	<u>\$ 24,188</u>	<u>\$ (124,660)</u>	<u>\$ 1,977,339</u>	<u>\$ 122,339</u>
Business-type activities:					
Revenue bonds	\$ 8,260,000	\$ -	\$ (190,000)	\$ 8,070,000	\$ 195,000
Compensated absences	-	-	32,600	32,600	32,600
Accrued interest	112,739	112,739	(112,739)	112,739	112,739
Total business-type activities	<u>\$ 3,657,569</u>	<u>\$ 112,739</u>	<u>\$ (270,139)</u>	<u>\$ 8,215,339</u>	<u>\$ 340,339</u>
Total activities	<u>\$ 3,742,229</u>	<u>\$ 136,927</u>	<u>\$ (394,799)</u>	<u>\$ 10,192,678</u>	<u>\$ 462,678</u>

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan

South Carolina Retirement System

The majority of employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full-service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job-related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

Effective July 1, 2019, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 15.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.41% and 0.15% contribution rate for the incidental death program. The Town's actual contributions to the SCRS for the years ended June 30, 2020, 2019 and 2018 were approximately \$73,812, \$123,826, and \$112,154, respectively, and equaled the base required retirement contribution rate, excluding surcharge of 15.56% for 2020, 14.56% for 2019, and 13.56% for 2018.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full-service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full-service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2019, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 18.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 17.84% and .20% for the incidental death program and .20% for the accidental death program. The Town's actual contributions to the PORS for the years ended June 30, 2020, 2019 and 2018 were approximately \$68,777, \$107,724, and \$97,289, respectively, and equaled the base required retirement contribution rate, excluding surcharge of 18.24% for 2020, 17.04% for 2019, and 16.24% for 2018.

The amounts paid by the Town for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

At June 30, 2020, the Town reported \$895,147 and \$829,303 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of the SCRS defined benefit pension plan was determined based on the July 1, 2019 actuarial valuations, using most recent membership data, projected forward to June 30, 2019, and financial information of the pension trust funds as of June 30, 2019, using generally accepted actuarial procedures. The Town's portion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Town's SCRS proportion was 0.00392% and its PORS proportion was 0.029%.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

At June 30, 2020 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Deferred Outflows of Resources	SCRS	PORS
Differences between expected and actual experience	\$ 615	\$ 17,052
Assumption changes	18,039	32,886
Net difference between project and actual investment earnings	28,059	33,870
Differences between employer contributions and proportionate share	17,343	47,576
Contributions made from measurement date to June 30, 2019	73,812	68,777
Total deferred outflows of resources	137,868	200,161
Deferred Inflows of Resources		
Differences between expected and actual experience	6,431	6,129
Net difference between project and actual investment earnings	20,134	23,355
Differences between employer contributions and proportionate share	107,267	25,235
Total deferred inflows of resources	133,832	54,719
Net deferred outflows/(inflows)	\$ 4,036	\$ 145,442

Deferred outflows of \$73,812 and \$68,777 for SCRS and PORS, respectively, reported as resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30,	SCRS	PORS	Net
2021	\$ (14,149)	\$ 47,460	\$ 33,311
2022	(56,923)	10,892	(46,031)
2023	(1,789)	12,537	10,748
2024	3,085	5,776	8,861
	\$ (69,776)	\$ 76,665	\$ 6,889

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

The total pension liabilities in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5%	3.5% to 9.5%
Inflation Rate	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

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. Assumption used in the determination of the June 30, 2019, SCRS and PORS valuations are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2016 PRSC Males Multiplied by 92%	2016 PRSC Females Multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males Multiplied by 100%	2016 PRSC Females Multiplied by 111%
Public Safety, Firefighters	2016 PRSC Males Multiplied by 125%	2016 PRSC Females Multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The long-term expected rate of returns represented 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 2019 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 table on the following page. 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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.00%		
Global Public Equity	35.00%	7.29%	2.55%
Private Equity	9.00%	7.67%	0.69%
Equity Options Strategies	7.00%	5.23%	0.37%
Real Assets	12.00%		
Real Estate (Private)	8.00%	5.59%	0.45%
Real Estate (REITs)	1.00%	8.16%	0.08%
Infrastructure (Private)	2.00%	5.03%	0.10%
Infrastructure (Public)	1.00%	6.12%	0.06%
Opportunistic	8.00%		
Global Tactical Asset Allocation	7.00%	3.09%	0.22%
Other Opportunistic Strategies	1.00%	3.82%	0.04%
Credit	15.00%		
High Yield Bonds/ Bank Loans	4.00%	3.14%	0.13%
Emerging Markets Debt	4.00%	3.31%	0.13%
Private Debt	7.00%	5.49%	0.38%
Rate Sensitive	14.00%		
Core Fixed Income	13.00%	1.62%	0.21%
Cash and Short Duration (Net)	1.00%	0.31%	0.00%
Total Expected Return	100.00%		5.41%
Inflation for Actuarial Purposes			2.25%
			7.66%

The discount rate used to measure the total pension liability (TPL) 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 Code of Laws. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

The following table represents the Town's proportionate share of the net SCRS and PORS pension liabilities calculated using the discount rate of 7.25 percent, as well as what the Town's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Plan	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
SCRS	\$ 1,127,698	\$ 895,147	\$ 701,070
PORS	1,123,903	829,303	587,952
	<u>\$ 2,251,601</u>	<u>\$ 1,724,450</u>	<u>\$ 1,289,022</u>

10. 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.

11. Commitments and Contingencies

The Town is occasionally involved in legal proceedings (predominately civil suits) and claims with various parties, which arose, in the normal course of business.

Although any litigation has an element of uncertainty, it is management's opinion that the outcome of litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Town. No provision has been made in these financial statements for losses, if any, which might result from litigation pending, threatened or the combination thereof because there is no evidence to indicate that a loss expenditure and liability should be recorded at year-end.

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

12. Subsequent events

The arrival of the Coronavirus (COVID-19) pandemic developed rapidly in the later part of fiscal year 2020, with a significant number of cases globally. Measures taken to contain the virus have significantly affected economic activity, which have negatively affected the Town's financial health for fiscal year 2020 and beyond. At this stage, the impact on the Town's financial health has been reduced revenues in hospitality and accommodations taxes through June of 2020 and this trend is expected to continue into fiscal year 2021 as businesses have either closed or have had to lessen their business hours.

Subsequent events were evaluated through December 3, 2020, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EDISTO BEACH

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA
RETIREMENT SYSTEMS NET PENSION LIABILITIES
LAST 10 YEARS*

YEAR ENDED JUNE 30, 2020

<u>South Carolina Retirement System</u>	June 30					
	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.003920%	0.007981%	0.008282%	0.007958%	0.008010%	0.008364%
Town's proportionate share of the net pension liability	\$ 895,147	\$ 1,788,374	\$ 1,864,411	\$ 1,699,817	\$ 1,519,135	\$ 1,440,004
Town's covered - employee payroll	\$ 850,450	\$ 827,093	\$ 835,614	\$ 770,629	\$ 751,015	\$ 751,015
Town's proportionate share of the net pension liability as percentage of covered-employee payroll	105.26%	210.29%	225.42%	203.42%	197.13%	191.75%
Plan fiduciary net position as a percentage of the total pension liability	54.40%	54.10%	53.30%	52.90%	57.00%	59.90%
<u>Police Officer's Retirement System</u>	June 30					
	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.029000%	0.042748%	0.046030%	0.043020%	0.045880%	0.045390%
Town's proportionate share of the net pension liability	\$ 829,303	\$ 1,211,271	\$ 1,260,992	\$ 1,091,115	\$ 999,866	\$ 869,054
Town's covered - employee payroll	\$ 632,182	\$ 599,069	\$ 628,696	\$ 556,508	\$ 576,940	\$ 576,940
Town's proportionate share of the net pension liability as percentage of covered-employee payroll	131.18%	191.60%	210.49%	173.55%	179.67%	150.63%
Plan fiduciary net position as a percentage of the total pension liability	62.70%	61.70%	60.90%	60.40%	64.60%	67.50%

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

See accompanying notes.

TOWN OF EDISTO BEACH

SCHEDULE OF SOUTH CAROLINA RETIREMENT
SYSTEMS CONTRIBUTIONS
LAST 10 YEARS*

YEAR ENDED JUNE 30, 2020

<u>South Carolina Retirement System</u>	June 30					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 73,812	\$ 123,826	\$ 112,154	\$ 95,344	\$ 85,232	\$ 81,860
Contributions in relation to the actuarially determined contributions	(73,812)	(123,826)	(112,154)	(95,344)	(85,232)	(81,860)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 474,370	\$ 850,450	\$ 827,093	\$ 835,614	\$ 770,629	\$ 751,015
Contributions as a percentage of covered-employee payroll	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%
<u>Police Officer's Retirement System</u>	June 30					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 68,777	\$ 107,724	\$ 97,289	\$ 87,012	\$ 75,351	\$ 76,214
Contributions in relation to the actuarially determined contributions	(68,777)	(107,724)	(97,289)	(87,012)	(75,351)	(76,214)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 377,067	\$ 632,182	\$ 599,069	\$ 628,696	\$ 556,508	\$ 576,940
Contributions as a percentage of covered-employee payroll	18.24%	17.04%	16.24%	14.24%	13.74%	13.41%

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

See accompanying notes.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF EDISTO BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

	Special Revenue Funds				
	<u>Tourism Fund</u>	<u>Alcohol Permit Fund</u>	<u>Fire Department I&I Fund</u>	<u>Volunteer Fire Department Fund</u>	<u>Total Non-Major Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 488,904	\$ 11,923	\$ 34,170	\$ 128,495	\$ 663,492
Total Assets	<u>488,904</u>	<u>11,923</u>	<u>34,170</u>	<u>128,495</u>	<u>663,492</u>
Fund Balances					
Restricted	488,904	11,923	34,170	-	534,997
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,495</u>	<u>128,495</u>
Total Fund Balances	<u>488,904</u>	<u>11,923</u>	<u>34,170</u>	<u>128,495</u>	<u>663,492</u>
Total Liabilities and Fund Balances	<u>\$ 488,904</u>	<u>\$ 11,923</u>	<u>\$ 34,170</u>	<u>\$ 128,495</u>	<u>\$ 663,492</u>

See accompanying notes.

TOWN OF EDISTO BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS

YEAR ENDED JUNE 30, 2020

	Special Revenue Funds				
	Tourism Fund	Alcohol Permit Fund	Fire Department I&I Fund	Volunteer Fire Department Fund	Total Non-Major Governmental Funds
Revenues					
Accommodations taxes	\$ 227,755	\$ -	\$ -	\$ -	\$ 227,755
Intergovernmental revenues	-	2,900	31,579	-	34,479
Donations and special events	-	-	-	19,766	19,766
Interest revenues	6,480	45	21	65	6,611
Miscellaneous revenues	-	-	-	6,508	6,508
Total Revenues	234,235	2,945	31,600	26,339	295,119
Expenditures					
Public safety	-	-	22,742	15,530	38,272
Recreation and culture	137,201	20,000	-	-	157,201
Total Expenditures	137,201	20,000	22,742	15,530	195,473
Excess (deficiency) of Revenues Over Expenditures	97,034	(17,055)	8,858	10,809	99,646
Other Financing Sources (Uses)					
Transfers out	(50,000)	-	-	-	(50,000)
Total Other Financing Sources (Uses)	(50,000)	-	-	-	(50,000)
Net Change in Fund Balances	47,034	(17,055)	8,858	10,809	49,646
Fund Balances - Beginning	441,870	28,978	25,312	117,686	613,846
Fund Balances - Ending	\$ 488,904	\$ 11,923	\$ 34,170	\$ 128,495	\$ 663,492

See accompanying notes.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS, AND SURCHARGES

JUNE 30, 2020

Total Court Fines and Assessments:

Court fines and assessments collected	\$ 53,594
Court fines and assessments remitted to State Treasurer	<u>(28,540)</u>
Total Court fines and assessments retained	<u>\$ 25,054</u>

Surcharges and Assessments retained for Victim's Services

Surcharges collected and retained	\$ 2,069
Assessments retained	<u>2,463</u>
Total surcharges and assessments retained for victims services	<u>\$ 4,532</u>

Victim Services Collected

Carryforward from previous year - beginning balance	\$ 509
Victim Service Revenue	
Victim service fines retained by the Town	-
Victim service assessments retained by the Town	2,463
Victim service surcharges retained by the Town	2,069
Interest earned	-
General funds transferred to victim service fund	<u>-</u>
Total funds allocated to victim service fund + beginning balance (A)	<u>5,041</u>
Expenditures for Victim Service Program	
Salaries and benefits	-
Victime Service Donation	-
Operating expenditures (Amounts paid to Colleton County)	\$ 4,478
General funds transferred from victim service fund	<u>-</u>
Total expenditures from victim service fund/program (B)	<u>4,478</u>
Total victim service funds retained by the Town (A-B)	<u>563</u>
Carryforward funds - end of year	<u>\$ 563</u>

TOWN OF EDISTO BEACH

SCHEDULE OF HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE - WATER AND SEWER FUND

JUNE 30, 2020

	Year Ended June 30								
	2020	2019	2018	2017	2016	2015	2014	2013	2012
Charges for Services	\$ 2,032,106	\$ 1,791,832	\$ 1,669,287	\$ 1,503,099	\$ 1,421,099	\$ 1,437,149	\$ 1,394,240	\$ 1,401,371	\$ 1,368,389
Interest Income	92,265	183,192	91,919	23,461	13,701	5,756	4,224	5,859	6,564
Miscellaneous Income	-	-	150	13,175	-	-	-	13,060	-
Less: Expenses	(1,106,922)	(1,177,996)	(1,155,906)	(1,351,884)	(1,057,653)	(1,112,031)	(1,083,391)	(1,286,512)	(1,124,351)
Plus: Depreciation	223,630	182,750	197,393	211,587	199,253	204,234	235,031	232,973	236,083
Revenues Net of Expenses	1,017,449	797,028	605,450	187,851	377,147	330,874	315,073	133,778	250,602
Net Revenues	1,241,079	979,778	802,843	399,438	576,400	535,108	550,104	366,751	486,685
Total Debt Service/Parity Bonds	486,075	486,265	467,315	92,450	87,919	88,356	88,794	104,325	55,531
Debt Service Coverage Ratio	2.55	2.01	1.72	4.32	6.56	6.06	6.20	3.52	8.76

See accompanying notes.

TOWN OF EDISTO BEACH, SOUTH CAROLINA
SYSTEM STATISTICS

The Water System

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

Fiscal Year	Average Daily Flow (MGD)
2016	0.450
2017	0.452
2018	0.395
2019	0.409
2020	0.457

Water System Improvements Funded by Series 2017 Bonds

The new water system was completed in 2020 and consists of three new 10-inch wells approximately 580 feet deep with submersible pumps and variable frequency drive motors and 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. Previous drinking water quality was improved by removing fluoride, sodium, and chloride. The new water plant constructed in 2020 houses a new water treatment plant consisting of three reverse osmosis treatment skids each with a permeate capacity of 400 gallons per minute for a combined treatment capacity of 1,600 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 consists of approximately 1,900 feet of line into the Atlantic Ocean. A concrete clearwell was constructed under the treatment plant building providing additional storage of 300,000 gallons. Automatic control valves were 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.

During construction, value engineering led to some modifications. Instead of installing two new 10-inch wells and adding 10,000 feet of new transmission water main to connect older wells to the system, three new 10-inch wells were installed and the length of the transmission water main was reduced. The clear well was increased from 290,000 to 300,000 gallons. This decision reduced the length of transmission lines that would need to be maintained and removed older wells from the system.

COVID 19 Impacts

Although many utilities have noticed impacts to revenues due to the novel COVID 19 pandemic, the Town of Edisto Beach utility revenues were not impacted due to our minimum usage inclining block rate semi-annual billing cycle. Although Edisto Beach depends on tourism, during the quarantine period, property owners visited Edisto Beach when it was closed to short term rentals.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

SYSTEM STATISTICS

-CONTINUED-

The Sewer System

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>
2016	0.156339	0.172579
2017	0.138332	0.348059
2018	0.165000	0.382000
2019	0.144188	1.008481
2020	0.145867	0.353000

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 2015 through Fiscal Year 2020.

Historical Customer Accounts

<u>Fiscal Year</u>	<u>Water</u>	<u>% Increase</u>	<u>Sewer</u>	<u>% Increase</u>
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
2019	2,390	0.50	1,052	0.09
2020	2,394	0.16	1,060	0.09

TOWN OF EDISTO BEACH, SOUTH CAROLINA

SYSTEM STATISTICS

-CONTINUED-

Largest Customers

Set forth below is information relating to the ten largest water and sewer customers of the System for the Fiscal Year 2020.

Ten Largest Water Customers
(For Fiscal Year 2020)

<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	1,229,700	\$ 12,790
Waterfront Restaurant	Convenience Store	1,132,630	12,505
Homeowner	Residence	920,150	4,138
Wyndham Resorts	Pool	909,090	8,855
Plantation Commercial Center	Pro Shop	858,020	9,927
EnMarket	Convenience Store	825,900	9,307
Coots	Restaurant	772,100	5,034
Homeowner	Residence	751,320	3,020
Whaleys	Restaurant	697,750	7,816
Wyndham Resorts	Resort	631,960	4,241
Total		8,728,620	\$ 77,633

The top ten water customers accounted for 5.3% of current charges for the System in Fiscal Year 2020.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

SYSTEM STATISTICS

-CONTINUED-

Ten Largest Sewer Customers
(For Fiscal Year 2020)

<u>Product/Use</u>	<u>Approximate Annual Sewer Consumption (Gallons)</u>	<u>Sewer System Annual Revenues</u>
Restaurant	1,132,630	\$ 12,505
Resort	909,090	9,927
Resort	858,020	8,855
Convenience Store	825,900	9,307
Restaurant	697,750	7,816
Resort	530,600	4,520
Restaurant	524,650	6,077
Resort	518,900	5,498
Marina	517,770	5,496
Resort	440,060	3,894
	<u>6,955,370</u>	<u>\$ 73,895</u>

The top ten sewer customers accounted for 12.3% of current charges for the System in Fiscal Year 2020.

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edisto Beach, South Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 3, 2020

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

The Brittingham Group LLP

West Columbia, South Carolina

December 3, 2020