

TOWN OF EDISTO BEACH, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2022

WITH

INDEPENDENT AUDITORS' REPORT

TOWN OF EDISTO BEACH, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The 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, Assessments, and Surcharges is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, Assessments, and Surcharges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises of the Schedule of Historical Net Revenues and Debt Service Coverage – Water and Sewer Fund, and the System Statistics, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.



West Columbia, South Carolina
December 1, 2022

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, 2022.

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 \$35,257,531 (net position). Of this amount, a balance of \$11,019,669 was considered unrestricted at this time.

The combined Governmental Activities and Business Type Activities revenues and other financial sources totaled \$10,086,792 and combined expenses totaled \$7,581,713. Accordingly, combined revenues exceeded expenses by \$2,505,079.

At the end of fiscal year 2022, the governmental restricted fund balance was \$4,811,561, the committed fund balance was \$1,021,912, the assigned fund balance was \$130,221 and the unassigned fund balance was \$7,158,866. Accordingly, \$7,158,866 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$8,216,880 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 \$715,496.

At the end of fiscal year 2022, the Town's Business Type Activity reported unrestricted cash and cash equivalents of \$5,937,003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as a 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.

The Statement of Net Position presents information on all 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 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, 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 2022 financial statements are 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 2022, 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 \$35,257,531 at the close of fiscal year 2022.

Net position is reported in three categories:

Net investment in capital assets	\$ 19,060,243
Restricted	5,177,619
Unrestricted	11,019,669
	<u>\$ 35,257,531</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, 2022, and 2021:

Town of Edisto Beach's Condensed Statement of Net Position - June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 13,842,935	\$ 6,807,031	\$ 20,649,966
Capital assets	19,790,396	8,974,280	28,764,676
Total assets	33,633,331	15,781,311	49,414,642
Deferred outflows	465,591	136,995	602,586
Total assets and deferred outflows	34,098,922	15,918,306	50,017,228
Long-term liabilities outstanding	4,578,109	8,772,382	13,350,491
Other liabilities	630,912	1,008,774	1,639,686
Total liabilities	5,209,021	9,781,156	14,990,177
Deferred inflows	433,333	133,770	567,103
Total liabilities and deferred inflows	5,642,354	9,914,926	15,557,280
Net position:			
Net investment in capital assets	17,840,864	1,219,379	19,060,243
Restricted	4,775,459	366,058	5,177,619
Unrestricted	6,320,557	4,735,214	11,019,669
Total net position	\$ 28,936,880	\$ 6,320,651	\$ 35,257,531

Town of Edisto Beach's Condensed Statement of Net Position - June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 10,873,311	\$ 5,930,946	\$ 16,804,257
Capital assets	20,944,206	9,287,799	30,232,005
Total assets	31,817,517	15,218,745	47,036,262
Deferred outflows	585,429	175,875	761,304
Total assets and deferred outflows	32,402,946	15,394,620	47,797,566
Long-term liabilities outstanding	4,578,109	8,772,382	13,350,491
Other liabilities	630,912	1,008,774	1,639,686
Total liabilities	5,209,021	9,781,156	14,990,177
Deferred inflows	46,628	8,309	54,937
Total liabilities and deferred inflows	5,255,649	9,789,465	15,045,114
Net position:			
Net investment in capital assets	18,894,372	1,330,887	20,225,259
Restricted	3,200,768	324,835	3,525,603
Unrestricted	5,052,157	3,949,433	9,001,590
Total net position	\$ 27,147,297	\$ 5,605,155	\$ 32,752,452

The following tables are summaries of revenues and expenses for fiscal years 2022 and 2021:

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 1,130,079	\$ 2,361,759	\$ 3,491,838
Operating Grants and Contributions	765,517	-	765,517
General revenues	5,682,007	169,825	5,851,832
Total revenue	<u>7,577,603</u>	<u>2,531,584</u>	<u>10,109,187</u>
Expenses:			
General government	2,309,829	-	2,309,829
Public safety	1,382,569	-	1,382,569
Public works	230,470	-	230,470
Recreation and culture	305,538	-	305,538
Beach preservation	1,496,238	-	1,496,238
Water and sewer	-	1,793,693	1,793,693
Interest	63,376	-	63,376
Total expenses	<u>5,788,020</u>	<u>1,793,693</u>	<u>7,581,713</u>
Loss on disposal of assets	<u>-</u>	<u>(22,395)</u>	<u>(22,395)</u>
Increase (decrease) in net position before transfers	<u>1,789,583</u>	<u>715,496</u>	<u>2,505,079</u>
Increase (decrease) in net position	<u>\$ 1,789,583</u>	<u>\$ 715,496</u>	<u>\$ 2,505,079</u>
	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 1,080,396	\$ 2,308,204	\$ 3,388,600
Operating Grants and Contributions	131,356	-	131,356
General revenues	4,192,638	9,183	4,201,821
Total revenue	<u>5,404,390</u>	<u>2,317,387</u>	<u>7,721,777</u>
Expenses:			
General government	1,746,344	-	1,746,344
Public safety	1,498,599	-	1,498,599
Public works	227,941	-	227,941
Recreation and culture	417,014	-	417,014
Beach preservation	1,995,636	-	1,995,636
Water and sewer	-	1,898,360	1,898,360
Interest	85,823	-	85,823
Total expenses	<u>5,971,357</u>	<u>1,898,360</u>	<u>7,869,717</u>
Loss on disposal of assets	<u>(6,170)</u>	<u>-</u>	<u>(6,170)</u>
Increase (decrease) in net position before transfers	<u>(573,137)</u>	<u>419,027</u>	<u>(154,110)</u>
Increase (decrease) in net position	<u>\$ (573,137)</u>	<u>\$ 419,027</u>	<u>\$ (154,110)</u>

Governmental activities. Governmental activities net position increased \$1,789,583 during the fiscal year. Revenue increases were due to reimbursements (\$701,493) for Hurricane Dorian damages expended in the year ending June 30, 2021. Governmental activities show an increase in revenues and a decrease in expenditures when compared to fiscal year 2021. The decrease in expenditures was related to non-recurring costs associated with Hurricane Dorian the previous year.

Business-type activities. Business-type activities consist of the water and sewer systems. Total revenues of \$2,509,189 exceeded total expenses of \$1,793,693 for an operational gain of \$715,496. Compared to fiscal year 2021 Business-type revenues are trending upward due to an increase in usage rates for services and consumption increase. Business-type expenses decreased. Budgeted expenses continue to be refined based on the economic environment (inflation and supply chain issues) and will be adjusted to address these changes.

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 2022, the Town’s governmental funds reported a combined ending fund balance of \$13,122,560. The Town’s governmental funds 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 components of proprietary fund net position is the investment in capital assets, net of related debt, \$1,219,379 or 19% of the Town’s total proprietary fund net assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Selected variances between fiscal years 2022 and 2021 General Fund actual revenues were as follows:

•	\$ 1,148,386 Accommodations taxes	133.16%	increase
•	\$ 39,802 Hospitality taxes	14.862%	increase
•	\$ 18,266 Interest revenues	107.36%	increase
•	\$ 197,981 Licenses and permits	21.82%	increase

Accommodations taxes and Hospitality taxes continue to increase. The Town has hired a firm to monitor short-term rental activity across numerous platforms to ensure collection of these taxes. Ongoing inflation has impacted interest rates as the federal reserve continues to increase the rates to try and prevent a recession. Licenses and permits increased as people continue to remodel their homes. Homes sales also increased this fiscal year. We anticipate the increase in interest rates to slow new construction and remodels.

PROPRIETARY FUNDS BUDGET HIGHLIGHTS

Selected variances between fiscal years 2022 and 2021 Proprietary Fund actual revenues were as follows:

•	\$ 53,555 Charges for services	2.32%	increase
•	\$ 10,642 Interest	115.89%	increase

The variance in charges for services was due to a regular increase in rates and an increase in interest rates.

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, 2022, amounts to \$28,764,676 (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 a new vehicle and gator (used for beach patrol) in the police department and extrication equipment in the fire department.
- Under business-type activities, a new generator was purchased for Well No. 8.

Town of Edisto Beach's Capital Assets - Net of Accumulated Depreciation - 2022

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets	\$ 8,134,993	\$ 342,266	\$ 8,477,259
Buildings and structures	642,823	3,753	646,576
Land Improvements	246,349	-	246,349
Vehicles, furniture and equipment	717,820	215,557	933,377
Infrastructure	10,048,411	8,412,704	18,461,115
	\$ 19,790,396	\$ 8,974,280	\$ 28,764,676

Town of Edisto Beach's Capital Assets - Net of Accumulated Depreciation - 2021

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets	\$ 8,134,993	\$ 342,266	\$ 8,477,259
Buildings and structures	676,506	7,103	683,609
Land Improvements	255,490	-	255,490
Vehicles, furniture and equipment	754,301	201,702	956,003
Infrastructure	11,122,916	8,736,728	19,859,644
	\$ 20,944,206	\$ 9,287,799	\$ 30,232,005

Long-term debt. At the end of the current fiscal year, the Town of Edisto Beach had total bonded debt outstanding of \$9,704,433. \$7,754,901 of the debt is reported in the Water/Sewer Fund and is secured by the gross revenues of the utility system. \$1,949,532 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, 2022, please see *Note 8*.

Town of Edisto Beach's Long-Term Debt - 2022

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	\$ 1,949,532	\$ -	\$ 1,949,532
Revenue bonds	-	7,754,901	7,754,901
Compensated absences	14,273	17,911	32,184
Accrued interest	2,867	108,365	111,232
	\$ 1,966,672	\$ 7,881,177	\$ 9,847,849

Town of Edisto Beach's Long-Term Debt - 2021

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	\$ 2,049,834	\$ -	\$ 2,049,834
Revenue bonds	-	7,956,912	7,956,912
Compensated absences	13,188	15,996	29,184
Accrued interest	5,054	108,464	113,518
	\$ 2,068,076	\$ 8,081,372	\$ 10,149,448

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 remain steady. Real estate values and new construction remain strong.

The Town adjusted utility rates in 2022 to address the increasing needs of the Combined Utilities Fund and to address past deferred capital and maintenance of the system. The Town will continue to adjust rates as indicated by the Water Rate Study increasing the water and sewer rates to allow for capital costs. The storm season was mild. King Tides continue to be problematic causing off season erosion. Rising fuel prices and inflationary impacts are financially influencing numerous Town operations. Although accommodations and hospitality taxes showed an increase, recruiting and retaining hourly staff in this industry remains challenging. Supply chain problems and inflation have driven higher prices on products and services resulting in the Town adjusting and reducing capital plans and purchases. The Town continues to seek and obtain grant funding multiplying the limited funds available to perform needed projects.

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, 2022

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 13,213,651	\$ 5,937,003	\$ 19,150,654
Receivables			
Taxes	19,883	-	19,883
Accounts	431,480	474,133	905,613
Prepaid expense	36,102	-	36,102
Inventory	-	28,854	28,854
Internal balances	(983)	983	-
Total current assets	<u>13,700,133</u>	<u>6,440,973</u>	<u>20,141,106</u>
Restricted assets:			
Cash and cash equivalents	142,802	-	142,802
Investments	-	366,058	366,058
Total restricted assets:	<u>142,802</u>	<u>366,058</u>	<u>508,860</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	8,134,993	342,266	8,477,259
Depreciable, net of accumulated depreciation	11,655,403	8,632,014	20,287,417
Total noncurrent assets	<u>19,790,396</u>	<u>8,974,280</u>	<u>28,764,676</u>
Total assets	<u>33,633,331</u>	<u>15,781,311</u>	<u>49,414,642</u>
Deferred outflows of resources			
Pension plan	465,591	136,995	602,586
Total assets and deferred outflows of resources	<u>34,098,922</u>	<u>15,918,306</u>	<u>50,017,228</u>
Liabilities			
Current liabilities:			
Accounts payable and other accrued liabilities	149,333	5,561	154,894
Interest payable	2,867	108,365	111,232
Unearned revenue	534,778	740,364	1,275,142
Compensated absences	14,273	17,911	32,184
Bonds payable	100,302	207,011	307,313
Total current liabilities	<u>801,553</u>	<u>1,079,212</u>	<u>1,880,765</u>
Long-term liabilities:			
Bonds payable	1,849,230	7,547,890	9,397,120
Net pension obligation	2,077,926	836,783	2,914,709
Total long term liabilities	<u>3,927,156</u>	<u>8,384,673</u>	<u>12,311,829</u>
Total liabilities	<u>4,728,709</u>	<u>9,463,885</u>	<u>14,192,594</u>
Deferred inflows of resources			
Pension plan	433,333	133,770	567,103
Total deferred inflows of resources	<u>433,333</u>	<u>133,770</u>	<u>567,103</u>
Net position			
Net investment in capital assets	17,840,864	1,219,379	19,060,243
Restricted	4,811,561	366,058	5,177,619
Unrestricted	6,284,455	4,735,214	11,019,669
Total net position	<u>\$ 28,936,880</u>	<u>\$ 6,320,651</u>	<u>\$ 35,257,531</u>

See accompanying notes.

TOWN OF EDISTO BEACH
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 2,309,829	\$ 1,038,100	\$ 765,517	\$ (506,212)	\$ -	\$ (506,212)
Public safety	1,382,569	91,979	-	(1,290,590)	-	(1,290,590)
Public works	230,470	-	-	(230,470)	-	(230,470)
Recreation and culture	305,538	-	-	(305,538)	-	(305,538)
Beach preservation	1,496,238	-	-	(1,496,238)	-	(1,496,238)
Interest	63,376	-	-	(63,376)	-	(63,376)
Total governmental activities	<u>5,788,020</u>	<u>1,130,079</u>	<u>765,517</u>	<u>(3,892,424)</u>	<u>-</u>	<u>(3,892,424)</u>
Business-type activities						
Water and sewer	1,793,693	2,361,759	-	-	568,066	568,066
Total business-type activities	<u>1,793,693</u>	<u>2,361,759</u>	<u>-</u>	<u>-</u>	<u>568,066</u>	<u>568,066</u>
Total primary government	<u>\$ 7,581,713</u>	<u>\$ 3,491,838</u>	<u>\$ 765,517</u>	<u>(3,892,424)</u>	<u>568,066</u>	<u>(3,324,358)</u>
General revenues:						
Taxes						
Property taxes				1,340,500	-	1,340,500
Local option sales taxes				365,738	-	365,738
Accommodations taxes				2,010,825	-	2,010,825
Hospitality taxes				311,914	-	311,914
Licenses and permits				1,105,159	-	1,105,159
Intergovernmental revenues				401,317	-	401,317
Interest				35,279	19,825	55,104
Rental revenues				120,009	-	120,009
Loss on disposal of assets				-	(22,395)	(22,395)
Miscellaneous revenues				141,266	-	141,266
Transfer in (out)				(150,000)	150,000	-
Total general revenues				<u>5,682,007</u>	<u>147,430</u>	<u>5,829,437</u>
Change in net position				1,789,583	715,496	2,505,079
Net position, at beginning of year (as restated)				<u>27,147,297</u>	<u>5,605,155</u>	<u>32,752,452</u>
Net position, end of year				<u>\$ 28,936,880</u>	<u>\$ 6,320,651</u>	<u>\$ 35,257,531</u>

See accompanying notes.

TOWN OF EDISTO BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Local Accommodations Tax Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 8,478,401	\$ 3,300,523	\$ 1,434,727	\$ 13,213,651
Cash and cash equivalents - restricted	-	142,802	-	142,802
Taxes	19,883	-	-	19,883
Accounts	431,480	-	-	431,480
Prepaid expense	36,102	-	-	36,102
Due from other funds	-	-	779,115	779,115
Total Assets	<u>\$ 8,965,866</u>	<u>\$ 3,443,325</u>	<u>\$ 2,213,842</u>	<u>\$ 14,623,033</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 127,526	\$ -	\$ -	\$ 127,526
Accrued liabilities	21,807	-	-	21,807
Unearned revenue	433,716	-	101,062	534,778
Due to other funds	129,673	650,425	-	780,098
Total Liabilities	<u>712,722</u>	<u>650,425</u>	<u>101,062</u>	<u>1,464,209</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>36,264</u>	<u>-</u>	<u>-</u>	<u>36,264</u>
Fund Balances				
Restricted	36,102	2,792,900	1,982,559	4,811,561
Committed	1,021,912	-	-	1,021,912
Assigned	-	-	130,221	130,221
Unassigned	7,158,866	-	-	7,158,866
Total Fund Balances	<u>8,216,880</u>	<u>2,792,900</u>	<u>2,112,780</u>	<u>13,122,560</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,965,866</u>	<u>\$ 3,443,325</u>	<u>\$ 2,213,842</u>	<u>\$ 14,623,033</u>

See accompanying notes.

TOWN OF EDISTO BEACH

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

JUNE 30, 2022

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

Total Fund Balances - Total Governmental Funds		\$	13,122,560
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.			19,790,396
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.			36,264
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			465,591
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			(433,333)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Accrued compensated absences	\$	(14,273)	
Accrued interest		(2,867)	
Bonds payable		(1,949,532)	
Net pension obligation		(2,077,926)	
			<u>(4,044,598)</u>
Net Position of Governmental Activities		\$	<u>28,936,880</u>

See accompanying notes.

TOWN OF EDISTO BEACH

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

YEAR ENDED JUNE 30, 2022

	General Fund	Local Accommodations Tax Special Revenue Fund	Nonmajor Governmental Funds	Total
Revenues				
General property taxes	\$ 1,327,065	\$ -	\$ -	\$ 1,327,065
Local option sales taxes	365,738	-	-	365,738
Accommodations taxes	66,484	1,405,048	539,293	2,010,825
Hospitality taxes	-	-	311,914	311,914
Licenses and permits	1,105,159	-	-	1,105,159
Charges for services	1,038,100	-	-	1,038,100
Fines and forfeitures	91,979	-	-	91,979
Intergovernmental revenues	339,279	-	62,038	401,317
Grant revenues	765,517	-	-	765,517
Interest revenues	23,323	9,670	2,286	35,279
Rental revenues	120,009	-	-	120,009
Miscellaneous revenues	74,415	-	4,747	79,162
Donations	-	-	62,104	62,104
Total Revenues	<u>5,317,068</u>	<u>1,414,718</u>	<u>982,382</u>	<u>7,714,168</u>
Expenditures				
General government	2,330,252	-	-	2,330,252
Public safety	1,166,260	-	51,208	1,217,468
Public works	230,501	-	-	230,501
Recreation and culture	-	-	236,505	236,505
Beach preservation	393,386	63,519	-	456,905
Debt service	85,000	-	-	85,000
Interest	65,563	-	-	65,563
Capital outlay	142,226	-	-	142,226
Total Expenditures	<u>4,413,188</u>	<u>63,519</u>	<u>287,713</u>	<u>4,764,420</u>
Excess of revenues over expenditures	<u>903,880</u>	<u>1,351,199</u>	<u>694,669</u>	<u>2,949,748</u>
Other Financing Sources (Uses)				
Transfers in	430,957	-	-	430,957
Transfers out	(150,000)	(200,000)	(230,957)	(580,957)
Total Other Financing Sources (Uses)	<u>280,957</u>	<u>(200,000)</u>	<u>(230,957)</u>	<u>(150,000)</u>
Net Change in Fund Balances	<u>1,184,837</u>	<u>1,151,199</u>	<u>463,712</u>	<u>2,799,748</u>
Fund Balances - Beginning	<u>7,032,043</u>	<u>1,641,701</u>	<u>1,649,068</u>	<u>10,322,812</u>
Fund Balances - Ending	<u>\$ 8,216,880</u>	<u>\$ 2,792,900</u>	<u>\$ 2,112,780</u>	<u>\$ 13,122,560</u>

See accompanying notes.

TOWN OF EDISTO BEACH

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

YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Government	\$ 2,799,748
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.	142,226
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(1,296,036)
Repayment of debt decreases long-term liabilities in the Statement of Activities.	85,000
Issuance of long-term debt provides current financial resources to governmental funds:	
Bond premium	15,302
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenue - property taxes	13,435
Increase in accrued compensated absences is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	(1,085)
Decrease in accrued interest payable is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	2,187
Change in deferred outflows (inflows) of resources (net) and net pension liability is included in the governmental activities in the Statement of Assets.	<u>28,806</u>
Change in Net Position - Governmental Activities	<u><u>\$ 1,789,583</u></u>

See accompanying notes.

TOWN OF EDISTO BEACH

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

YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive or Negative</u>
Revenues				
General property taxes	\$ 1,380,842	\$ 1,339,262	\$ 1,327,065	\$ (12,197)
Local option sales taxes	190,110	201,684	365,738	164,054
Accommodations taxes	49,477	54,574	66,484	11,910
Licenses and permits	719,350	803,225	1,105,159	301,934
Charges for services	990,218	995,926	1,038,100	42,174
Fines and forfeitures	76,000	87,500	91,979	4,479
Intergovernmental revenues	329,031	333,859	339,279	5,420
Grant revenues	918,243	1,079,568	765,517	(314,051)
Interest revenues	10,012	6,012	23,323	17,311
Rental revenues	109,120	109,720	120,009	10,289
Miscellaneous revenues	10,000	38,000	74,415	36,415
Total Revenues	<u>4,782,403</u>	<u>5,049,330</u>	<u>5,317,068</u>	<u>267,738</u>
Expenditures				
General government	2,669,617	2,894,742	2,330,252	564,490
Public safety	1,696,004	1,757,548	1,166,260	591,288
Public works	308,503	309,695	230,501	79,194
Beach preservation	352,279	352,979	393,386	(40,407)
Debt service	85,000	85,000	85,000	-
Interest	62,000	62,000	65,563	(3,563)
Capital outlay	-	-	142,226	(142,226)
Total Expenditures	<u>5,173,403</u>	<u>5,461,964</u>	<u>4,413,188</u>	<u>1,048,776</u>
Deficiency of Revenues Under Expenditures	<u>(391,000)</u>	<u>(412,634)</u>	<u>903,880</u>	<u>1,316,514</u>
Other Financing Sources				
Transfers in	391,000	412,634	430,957	18,323
Transfers out	-	-	(150,000)	(150,000)
Total Other Financing Sources	<u>391,000</u>	<u>412,634</u>	<u>280,957</u>	<u>(131,677)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,184,837</u>	<u>\$ 1,184,837</u>
Fund Balances - Beginning			<u>7,032,043</u>	
Fund Balances - Ending			<u>\$ 8,216,880</u>	

See accompanying notes.

TOWN OF EDISTO BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUND

JUNE 30, 2022

Assets

Current assets	
Cash and cash equivalents	\$ 5,937,003
Accounts receivable	474,133
Inventory	28,854
Due from other funds	983
Total current assets	<u>6,440,973</u>
Restricted assets	
Investments	366,058
Total restricted assets	<u>366,058</u>
Noncurrent assets	
Capital assets:	
Non-depreciable	342,266
Depreciable, net of accumulated depreciation	8,632,014
Total noncurrent assets	<u>8,974,280</u>
Total assets	<u>15,781,311</u>

Deferred outflows of resources

Pension plan	136,995
Total assets and deferred outflows of resources	<u>15,918,306</u>

Liabilities

Current Liabilities	
Accounts payable	5,561
Compensated absences	17,911
Unearned revenue	740,364
Interest payable	108,365
Bonds payable	207,011
Total Current Liabilities	<u>1,079,212</u>
Long-term liabilities:	
Bonds payable	7,547,890
Net pension obligation	836,783
Total Long-term liabilities:	<u>8,384,673</u>
Total liabilities	<u>9,463,885</u>

Deferred inflows of resources

Pension plan	133,770
Total liabilities and deferred inflows of resources	<u>9,597,655</u>

Net position

Net investment in capital assets	1,219,379
Restricted	366,058
Unrestricted	4,735,214
Total net position	<u>\$ 6,320,651</u>

See accompanying notes.

TOWN OF EDISTO BEACH

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

YEAR ENDED JUNE 30, 2022

Operating revenues	
Charges for services	\$ 2,361,759
Total operating revenue	<u>2,361,759</u>
Operating expenses	
Personnel services	621,447
Operating expenses	531,570
Depreciation and amortization	357,540
Total operating expenses	<u>1,510,557</u>
Operating income	<u>851,202</u>
Nonoperating revenues (expenses)	
Interest income	19,825
Interest expense	(283,136)
Loss on disposal of assets	(22,395)
Transfer in	150,000
Total nonoperating revenues (expenses)	<u>(135,706)</u>
Change in net position	715,496
Total net position, beginning	<u>5,605,155</u>
Total net position, ending	<u><u>\$ 6,320,651</u></u>

TOWN OF EDISTO BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022

Cash flows from operating activities	
Receipts from customers	\$ 2,455,883
Payments to suppliers	(534,927)
Payments to employees	(628,878)
Net cash provided by operating activities	1,292,078
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(66,415)
Interest paid on debt	(285,246)
Principal payments on debt	(200,000)
Intergovernmental transfers	150,000
Due to / due from other funds	(14,063)
Net cash used by capital and related financing activities	(415,724)
Cash flows from investing activities	
Interest income	19,825
Net cash provided by investing activities	19,825
Net increase in cash and cash equivalents	896,179
Cash and cash equivalents, beginning	5,406,882
Cash and cash equivalents, ending	\$ 6,303,061
Classified As:	
Unrestricted assets	\$ 5,937,003
Restricted assets	366,058
	\$ 6,303,061

(CONTINUED)

TOWN OF EDISTO BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022

-CONTINUED-

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

Operating income	\$	851,202
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization		357,540
Changes in assets		
Accounts receivable		34,157
Changes in liabilities		
Accounts payable		(3,357)
Unearned revenue		59,967
Compensated absences		1,915
Pension related assets and liabilities		(9,346)
Net cash provided by operating activities	\$	1,292,078

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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 1,033. 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, zoning and building, 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.)

-CONTINUED-

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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.

Government-wide Financial Statements (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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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

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.

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. 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)

Capital Assets and Depreciation (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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Long-Term Obligations (continued)

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.

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 \$602,586 as of June 30, 2022.

Deferred Outflows/Inflows of Resources (continued)

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 \$567,103 as of June 30, 2022.

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Net Position/Fund Balances (continued)

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.

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

2. Summary of Significant Accounting Policies (continued)

Net Position/Fund Balances (continued)

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.

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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 revenues exceeded budgeted revenue by \$360,631. General Fund budgeted expenditures exceeded actual expenditures by \$1,048,776.

3. Deposits

At June 30, 2022, the carrying amount of the Town's unrestricted and restricted deposits totaled \$19,150,654 and the bank balance was \$19,367,183 all of which was covered by federal depository insurance and other securities provided by financial institutions.

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

4. Investments (continued)

At June 30, 2022, the Town’s unrestricted investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$16,876,377. 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, 2022, the Town also has investments restricted for payment of its revenue bond obligations in the amounts of \$355,689. 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, 2022, consist of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable:			
Property tax	\$ 19,883	\$ -	\$ 19,883
Waste collection billings	178,330	-	178,330
Other	253,150	-	253,150
Water and sewer billings	-	474,133	474,133
Gross receivables	451,363	474,133	925,496
Less, allowance for uncollectibles	-	-	-
Net receivables	<u>\$ 451,363</u>	<u>\$ 474,133</u>	<u>\$ 925,496</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.

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Receivables (continued)

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.

6. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases / Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 7,151,372	\$ -	\$ -	\$ 7,151,372
Land Improvements	49,999	-	-	49,999
Construction in progress	933,622	-	-	933,622
Total capital assets, not being depreciated	<u>8,134,993</u>	<u>-</u>	<u>-</u>	<u>8,134,993</u>
Capital assets, being depreciated				
Buildings	1,141,027	-	-	1,141,027
Improvements	989,020	19,500	-	1,008,520
Machinery and Equipment	2,511,440	122,726	-	2,634,166
Infrastructure - Sidewalks	763,375	-	-	763,375
Infrastructure - Beach Nourishment	14,829,327	-	-	14,829,327
Total capital assets, being depreciated	<u>20,234,189</u>	<u>142,226</u>	<u>-</u>	<u>20,376,415</u>
Less accumulated depreciation for:				
Buildings	(464,521)	(33,683)	-	(498,204)
Land improvements	(733,530)	(28,641)	-	(762,171)
Machinery and equipment	(1,757,139)	(159,207)	-	(1,916,346)
Infrastructure	(4,469,786)	(1,074,505)	-	(5,544,291)
Total accumulated depreciation	<u>(7,424,976)</u>	<u>(1,296,036)</u>	<u>-</u>	<u>(8,721,012)</u>
Total capital assets, being depreciated, net	<u>12,809,213</u>	<u>(1,153,810)</u>	<u>-</u>	<u>11,655,403</u>
Governmental activities capital assets, net	<u>\$ 20,944,206</u>	<u>\$ (1,153,810)</u>	<u>\$ -</u>	<u>\$ 19,790,396</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	\$ 37,960
Public Safety	148,599
Public Works	1,260
Recreation and culture	69,033
Beach preservation	1,039,184
Total depreciation - governmental activities	<u>\$ 1,296,036</u>
Business type activities:	
Water and sewer	<u>\$ 357,540</u>
Total depreciation - business type activities	<u>\$ 357,540</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases / Transfers</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 290,906	\$ -	\$ -	\$ 290,906
Construction in progress	51,360	-	-	51,360
Total capital assets, not being depreciated	<u>342,266</u>	<u>-</u>	<u>-</u>	<u>342,266</u>
Capital assets, being depreciated				
Buildings	90,532	-	-	90,532
System infrastructure	12,675,821	-	(161,812)	12,514,009
Machinery and equipment	1,293,308	66,415	(359,444)	1,000,279
Total capital assets, being depreciated	<u>14,059,661</u>	<u>66,415</u>	<u>(521,256)</u>	<u>13,604,820</u>
Less accumulated depreciation for:				
Buildings	(83,429)	(3,350)	-	(86,779)
System infrastructure	(3,939,093)	(301,629)	139,417	(4,101,305)
Machinery and equipment	(1,091,605)	(52,561)	359,444	(784,722)
Total accumulated depreciation	<u>(5,114,127)</u>	<u>(357,540)</u>	<u>498,861</u>	<u>(4,972,806)</u>
Total capital assets, being depreciated, net	<u>8,945,534</u>	<u>(291,125)</u>	<u>(22,395)</u>	<u>8,632,014</u>
Business-type activities capital assets, net	<u>\$ 9,287,800</u>	<u>\$ (291,125)</u>	<u>\$ (22,395)</u>	<u>\$ 8,974,280</u>

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)

Property with a carrying value of \$5,562,766 at June 30, 2022, 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>Accommodations Tax Fund</u>	<u>Hospitality Tax Fund</u>	<u>Tourism Tax Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
General fund	\$ -	\$ (200,000)	\$ (180,957)	\$ (50,000)	\$ 150,000	\$ (280,957)
Accommodations tax fund	200,000	-	-	-	-	200,000
Hospitality tax fund	180,957	-	-	-	-	180,957
Tourism fund	50,000	-	-	-	-	50,000
Proprietary fund	(150,000)	-	-	-	-	(150,000)
Total transfers	<u>\$ 280,957</u>	<u>\$ (200,000)</u>	<u>\$ (180,957)</u>	<u>\$ (50,000)</u>	<u>\$ 150,000</u>	<u>\$ -</u>

8. Long-Term Debt

Revenue Bonds

The Town has the following long-term debt outstanding as of June 30, 2022:

General Obligation Bonds

\$1,890,000 general obligation bonds of 2021 - due in semi-annual installments beginning in 2021 and concluding in 2037; interest at 2.0% to 5.0%.

\$ 1,720,000

Total general obligation bonds for governmental activities

\$ 1,720,000

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

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>
2023	\$ 58,950	\$ 85,000	\$ 143,950
2024	54,700	90,000	144,700
2025	50,200	95,000	145,200
2026	45,450	100,000	145,450
2027	40,450	105,000	145,450
2028-2032	126,400	715,000	841,400
2033-2037	47,500	530,000	577,500
	<u>\$ 423,650</u>	<u>\$ 1,720,000</u>	<u>\$ 2,143,650</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% \$ 1,280,000

Series 2017 bonds - due in annual installments beginning in 2018 to and concluding in 2047; interest at 2.00% to 4.00% 6,395,000

Total revenue bonds for business type activities \$ 7,675,000

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

<u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2023	\$ 279,416	\$ 205,000	\$ 484,416
2024	273,170	215,000	488,170
2025	266,698	220,000	486,698
2026	260,075	225,000	485,075
2027	253,226	235,000	488,226
2028-2032	1,321,303	1,295,000	2,616,303
2033-2037	849,170	1,550,000	2,399,170
2038-2042	555,976	1,960,000	2,515,976
2043-2047	349,150	1,770,000	2,119,150
	<u>\$ 4,408,184</u>	<u>\$ 7,675,000</u>	<u>\$ 12,083,184</u>

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Changes in long-term liabilities for the year ended June 30, 2022, are as follows:

	<u>Balances as of</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances as of</u> <u>June 30, 2022</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 1,805,000	\$ -	\$ (85,000)	\$ 1,720,000	\$ 85,000
Bond premiums	244,834	-	(15,302)	229,532	15,302
Compensated absences	13,188	14,273	(13,188)	14,273	14,273
Total governmental activities	<u>\$ 2,063,022</u>	<u>\$ 14,273</u>	<u>\$ (113,490)</u>	<u>\$ 1,963,805</u>	<u>\$ 114,575</u>
Business-type activities:					
Revenue bonds	\$ 7,875,000	\$ -	\$ (200,000)	\$ 7,675,000	\$ 205,000
Bond premiums	132,689	-	(8,358)	124,331	8,358
Bond discounts	(50,777)	-	6,347	(44,430)	(6,347)
Compensated absences	15,996	17,911	(15,996)	17,911	17,911
Total business-type activities	<u>\$ 7,972,908</u>	<u>\$ 17,911</u>	<u>\$ (218,007)</u>	<u>\$ 7,772,812</u>	<u>\$ 224,922</u>
Total activities	<u>\$ 10,035,930</u>	<u>\$ 32,184</u>	<u>\$ (331,497)</u>	<u>\$ 9,736,617</u>	<u>\$ 339,497</u>

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 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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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).

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, 2020, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 16.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 16.41% and 0.15% contribution rate for the incidental death program. The Town's actual contributions to the SCRS for the years ended June 30, 2022, 2021 and 2020 were approximately \$149,971, \$142,785, and \$141,793, respectively, and equaled the base required retirement contribution rate, excluding surcharge of 16.56% for 2022, 15.56% for 2021, and 15.56% for 2020.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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 firefighters 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.

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, 2020, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 19.04%. Included in the total PORS employer contribution rate is a base retirement contribution of 18.84% and .20% for the incidental death program. The Town's actual contributions to the PORS for the years ended June 30, 2022, 2021 and 2020 were approximately \$139,956, \$123,370, and \$125,038, respectively, and equaled the base required retirement contribution rate, excluding surcharge of 19.04% for 2022, 18.04% for 2021, and 18.04% for 2020.

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

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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, 2022, the Town reported \$1,761,796 and \$1,152,913 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, 2021, actuarial valuations, using most recent membership data, projected forward to June 30, 2021, and financial information of the pension trust funds as of June 30, 2021, 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, 2022, the Town's SCRS proportion was 0.008% and its PORS proportion was 0.045%.

At June 30, 2022, the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Deferred Outflows of Resources	<u>SCRS</u>	<u>PORS</u>
Differences between expected and actual experience	\$ 30,010	\$ 39,221
Assumption changes	96,435	82,231
Differences between employer contributions and proportionate share	29,807	34,955
Contributions made from measurement date to June 30, 2022	<u>149,971</u>	<u>139,956</u>
Total deferred outflows of resources	<u>306,223</u>	<u>296,363</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	2,378	3,591
Net difference between project and actual investment earnings	255,924	258,478
Differences between employer contributions and proportionate share	<u>27,849</u>	<u>18,883</u>
Total deferred inflows of resources	<u>286,151</u>	<u>280,952</u>
Net deferred outflows/(inflows)	<u>\$ 20,072</u>	<u>\$ 15,411</u>

Deferred outflows of \$149,971 and \$139,956 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, 2023.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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

<u>Year ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Net</u>
2023	\$ 2,656	\$ 7,129	\$ 9,785
2024	998	1,428	2,426
2025	30,482	24,020	54,502
2026	95,763	91,968	187,731
	<u>\$ 129,899</u>	<u>\$ 124,545</u>	<u>\$ 254,444</u>

The total pension liabilities in the July 1, 2021, 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	7.00%	7.00%
Projected Salary Increases	3.0% to 11.0%	3.5% to 10.5%
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 2020 Public Retirees of South Carolina Mortality table (2020 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 2020. Assumption used in the determination of the June 30, 2021, SCRS and PORS valuations are as follows:

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

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

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 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

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
Public Equity	46.00%	6.87%	3.16%
Bonds	26.00%	0.27%	0.07%
Private Equity	9.00%	9.68%	0.87%
Privated Debt	7.00%	5.47%	0.39%
Real Assets	12.00%		
Real Estate	9.00%	6.01%	0.54%
Infrastructure	3.00%	5.08%	0.15%
Total Expected Return	100.00%		5.18%
Inflation for Actuarial Purposes			2.25%
			7.43%

The discount rate used to measure the total pension liability (TPL) was 7.00 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 7.00 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 (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

Plan	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
SCRS	\$ 2,307,733	\$ 1,761,796	\$ 1,308,009
PORS	1,672,730	1,152,913	727,104
	\$ 3,980,463	\$ 2,914,709	\$ 2,035,113

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.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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.

13. Subsequent events

Subsequent events were evaluated through December 1, 2022, 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, 2021

<u>South Carolina Retirement System</u>	June 30							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.008141%	0.008293%	0.008064%	0.007981%	0.008282%	0.007958%	0.008010%	0.008364%
Town's proportionate share of the net pension liability	\$1,761,796	\$2,118,887	\$1,841,412	\$1,788,374	\$1,864,411	\$1,699,817	\$1,519,135	\$1,440,004
Town's covered - employee payroll	\$ 917,641	\$ 911,266	\$ 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	191.99%	232.52%	216.52%	210.29%	225.42%	203.42%	197.13%	191.75%
Plan fiduciary net position as a percentage of the total pension liability	50.71%	50.71%	54.40%	54.10%	53.30%	52.90%	57.00%	59.90%
<u>Police Officer's Retirement System</u>	June 30							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.044810%	0.045379%	0.043003%	0.042748%	0.046030%	0.043020%	0.045880%	0.045390%
Town's proportionate share of the net pension liability	\$1,152,913	\$1,504,858	\$1,232,448	\$1,211,271	\$1,260,992	\$1,091,115	\$ 999,866	\$ 869,054
Town's covered - employee payroll	\$ 683,869	\$ 693,115	\$ 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	168.59%	217.12%	194.95%	191.60%	210.49%	173.55%	179.67%	150.63%
Plan fiduciary net position as a percentage of the total pension liability	70.40%	58.79%	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, 2021

<u>South Carolina Retirement System</u>	June 30							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 149,971	\$ 142,785	\$ 141,793	\$ 123,826	\$ 112,154	\$ 95,344	\$ 85,232	\$ 81,860
Contributions in relation to the actuarially determined contributions	<u>(149,971)</u>	<u>(142,785)</u>	<u>(141,793)</u>	<u>(123,826)</u>	<u>(112,154)</u>	<u>(95,344)</u>	<u>(85,232)</u>	<u>(81,860)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 905,622	\$ 917,641	\$ 911,266	\$ 850,450	\$ 827,093	\$ 835,614	\$ 770,629	\$ 751,015
Contributions as a percentage of covered-employee payroll	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%
<u>Police Officer's Retirement System</u>	June 30							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 139,956	\$ 123,370	\$ 125,038	\$ 107,724	\$ 97,289	\$ 87,012	\$ 75,351	\$ 76,214
Contributions in relation to the actuarially determined contributions	<u>(123,370)</u>	<u>(123,370)</u>	<u>(125,038)</u>	<u>(107,724)</u>	<u>(97,289)</u>	<u>(87,012)</u>	<u>(75,351)</u>	<u>(76,214)</u>
Contribution Deficiency (Excess)	<u>\$ 16,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 735,063	\$ 683,869	\$ 693,115	\$ 632,182	\$ 599,069	\$ 628,696	\$ 556,508	\$ 576,940
Contributions as a percentage of covered-employee payroll	19.04%	18.04%	18.04%	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, 2022

	Special Revenue Funds							
	Hospitality Tax	Beach Nourishment	Tourism Fund	Alcohol Permit Fund	Fire Department I&I Fund	Volunteer Fire Department Fund	ARPA Fund	Total Non-Major Governmental Funds
Assets								
Cash and cash equivalents	\$ 518,499	\$ 50,133	\$ 560,354	\$ 24,422	\$ 50,106	\$ 130,151	\$ 101,062	\$ 1,434,727
Due from	5,538	650,425	123,082	-	-	70	-	779,115
Total Assets	<u>524,037</u>	<u>700,558</u>	<u>683,436</u>	<u>24,422</u>	<u>50,106</u>	<u>130,221</u>	<u>101,062</u>	<u>2,213,842</u>
Liabilities								
Unearned revenue	-	-	-	-	-	-	101,062	101,062
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,062</u>	<u>101,062</u>
Fund Balances								
Restricted	524,037	700,558	683,436	24,422	50,106	-	-	1,982,559
Assigned	-	-	-	-	-	130,221	-	130,221
Total Fund Balances	<u>524,037</u>	<u>700,558</u>	<u>683,436</u>	<u>24,422</u>	<u>50,106</u>	<u>130,221</u>	<u>-</u>	<u>2,112,780</u>
Total Liabilities and Fund Balances	<u>\$ 524,037</u>	<u>\$ 700,558</u>	<u>\$ 683,436</u>	<u>\$ 24,422</u>	<u>\$ 50,106</u>	<u>\$ 130,221</u>	<u>\$ 101,062</u>	<u>\$ 2,213,842</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, 2022

Special Revenue Funds

	Hospitality Tax	Beach Nourishments	Tourism Fund	Alcohol Permit Fund	Fire Department I&I Fund	Volunteer Fire Department Fund	ARPA Fund	Total Non-Major Governmental Funds
Revenues								
Accommodations taxes	\$ -	\$ -	\$ 539,293	\$ -	\$ -	\$ -	\$ -	\$ 539,293
Hospitality taxes	311,914	-	-	-	-	-	-	311,914
Intergovernmental revenues	-	-	-	27,800	34,238	-	-	62,038
Donations and special events	-	-	-	-	-	62,104	-	62,104
Interest revenues	933	26	1,208	30	33	56	-	2,286
Miscellaneous revenues	-	-	-	-	-	4,747	-	4,747
Total Revenues	312,847	26	540,501	27,830	34,271	66,907	-	982,382
Expenditures								
Public safety	-	-	-	-	24,521	26,687	-	51,208
Recreation and culture	46,741	-	169,764	20,000	-	-	-	236,505
Total Expenditures	46,741	-	169,764	20,000	24,521	26,687	-	287,713
Excess (deficiency) of Revenues Over Expenditures	266,106	26	370,737	7,830	9,750	40,220	-	694,669
Other Financing Sources (Uses)								
Transfers out	(180,957)	-	(50,000)	-	-	-	-	(230,957)
Total Other Financing Sources (Uses)	(180,957)	-	(50,000)	-	-	-	-	(230,957)
Net Change in Fund Balances	85,149	26	320,737	7,830	9,750	40,220	-	463,712
Fund Balances - Beginning	438,888	700,532	362,699	16,592	40,356	90,001	-	1,649,068
Fund Balances - Ending	\$ 524,037	\$ 700,558	\$ 683,436	\$ 24,422	\$ 50,106	\$ 130,221	\$ -	\$ 2,112,780

See accompanying notes.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS, AND SURCHARGES

JUNE 30, 2022

Total Court Fines and Assessments:

Court fines and assessments collected	\$ 63,337
Court fines and assessments remitted to State Treasurer	<u>(29,773)</u>
Total Court fines and assessments retained	<u><u>\$ 33,564</u></u>

Surcharges and Assessments retained for Victim's Services

Surcharges collected and retained	\$ 1,650
Assessments retained	<u>4,122</u>
Total surcharges and assessments retained for victims services	<u><u>\$ 5,772</u></u>

Victim Services Collected

Carryforward from previous year - beginning balance	\$ 93
Victim Service Revenue	
Victim service assessments retained by the Town	4,122
Victim service surcharges retained by the Town	1,650
General funds transferred to victim service fund	<u>217</u>
Total funds allocated to victim service fund + beginning balance (A)	<u><u>6,082</u></u>

Expenditures for Victim Service Program

Operating expenditures (Amounts paid to Colleton County)	<u>6,082</u>
Total expenditures from victim service fund/program (B)	<u><u>6,082</u></u>

Total victim service funds retained by the Town (A-B) -

Carryforward funds - end of year \$ -

STATISTICAL SECTION

TOWN OF EDISTO BEACH

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

JUNE 30, 2022

	Year ended June 30,										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Charges for Services	\$ 2,361,759	\$ 2,308,204	\$ 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	19,825	9,183	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	(1,510,557)	(1,464,989)	(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	357,540	361,063	223,630	182,750	197,393	211,587	199,253	204,234	235,031	232,973	236,083
Revenues, Net of Expenses	871,027	852,398	1,017,449	797,028	605,300	187,851	377,147	330,874	315,073	133,778	250,602
Net Revenues	1,228,567	1,213,461	1,241,079	979,778	802,693	399,438	576,400	535,108	550,104	366,751	486,685
Total Debt Service / Parity Bonds	484,416	485,245	486,075	486,265	467,315	92,450	87,919	88,356	88,794	104,325	55,531
Debt Service Coverage Ratio	2.54	2.50	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

JUNE 30, 2022

General

The Town operates a combined water treatment and distribution system and a wastewater collection and treatment system (the “System”). The water system component of the System consists of three new wells, three reverse osmosis skids, a 300,000-gallon ground storage tank in the water plant, a 100,000-gallon elevated storage tank, a 200,000-gallon ground storage tank, two booster pump stations, and approximately 26 miles of waterline piping.

The Town serves drinking water to approximately 2,445 water customers. The Town also operates a 350,000 gallon per day wastewater treatment lagoon, 13 individual lift stations, and approximately 13 miles of sewer piping. There are approximately 1,073 customers served by the Town’s sewer system.

The service area for water and sewer is the entire municipal limits of the Town, which is four square miles, plus the Edisto Beach State Park and limited other outlying service areas. The Town Council reviews each request for service outside of the municipal limits. There is currently a total of 20 water taps outside of the municipal limits. The service area is comprised mainly of residential dwellings used as vacation homes or rented on a short-term basis during the summer months along with 28 commercial establishments serving the needs of the tourism industry. Also included in the service area is the Edisto Beach State Park which is one of the most heavily visited of the South Carolina State Parks with approximately 372,540 recorded visitors in 2019.

Description of the Water System

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

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

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

TOWN OF EDISTO BEACH, SOUTH CAROLINA

SYSTEM STATISTICS

-CONTINUED-

Present Water Service Area

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

Water Supply

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

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

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

<u>Fiscal Year</u>	<u>Average Daily Flow (MGD)</u>
2018	0.395
2019	0.409
2020	0.457
2021	0.565
2022	0.543

TOWN OF EDISTO BEACH, SOUTH CAROLINA

SYSTEM STATISTICS

-CONTINUED-

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

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.

Description of the Sewer System

Sewer System

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

TOWN OF EDISTO BEACH, SOUTH CAROLINA

SYSTEM STATISTICS

-CONTINUED-

Sewer service is provided directly to homes and businesses within the Town's incorporated limits at the option, where feasible, of the home or business owner. Property owners that are being provided sewer service from existing septic tank and tile field systems are not required to tie to the Town's Sewer System if the septic tank and tile field system is operable and being maintained in good working order.

There are currently approximately 1,300 lots served by septic tank and tile field systems, most of which are residential lots. Most of the residential lots are currently served by septic tanks. Property owners who obtain new connections to the Sewer System are required to pay the costs of connection, including the cost of any extension of the Town's wastewater collection lines to accommodate the subject property. There are no wholesale customers of the Sewer System.

Service Area

The Town currently provides sewer service within the approximately 7.2 square miles of its incorporated limits. At this time, the Town has no plans to provide sewer service beyond its present sewer service area.

Wastewater Collection and Treatment Facilities

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

Sewer Moratorium

On April 8, 2021, the Town implemented a sewer tap moratorium for properties that do not have existing sewer certificates until two lift stations are upgraded. This will address deficiencies in the collection system.

Funding for the upgrade of one lift station is in place and the project is permitted. The Town expects completion of one lift Station by January 2023. The Town has applied for South Carolina Infrastructure Investment Program funds through the South Carolina Rural Infrastructure Authority to upgrade the other lift station and perform other collection system improvements. Awards will be made early 2023.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

SYSTEM STATISTICS

-CONTINUED-

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>Flow (MGD)</u>	<u>Flow (MGD)</u>
2018	0.165000	0.382000
2019	0.144188	1.008481
2020	0.145867	0.353000
2021	0.120335	0.382375
2022	0.092561	0.235464

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

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 2018 through Fiscal Year 2022.

Historical Customer Accounts

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	0.70
2021	2,414	0.82	1,066	0.56
2022	2,445	1.28	1,073	0.65

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 2022.

Ten Largest Water Customers

(For Fiscal Year 2022)

<u>Customer</u>	<u>Product/Use</u>	<u>Consumption (Gallons)</u>	<u>Annual Revenues</u>
Edisto Beach State Park	State Park	1,135,650	\$ 13,388
Waterfront Restaurant	Restaurant	898,040	6,962
Whaleys	Restaurant	700,940	5,033
Wyndham Resorts	Resort	700,010	2,736
Homeowner	Residence	642,320	2,157
Homeowner	Residence	626,570	2,508
Homeowner	Residence	621,390	2,484
Wyndham Resorts	Pool	576,200	4,128
Homeowner	Residence	571,900	2,309
Homeowner	Residence	566,930	2,295
Total		<u>7,039,950</u>	<u>44,000</u>

The top ten water customers accounted for 1.9% of current charges for the System in Fiscal Year 2022.

Ten Largest Sewer Customers

(For Fiscal Year 2022)

<u>Product/Use</u>	<u>Annual Sewer Consumption (Gallons)</u>	<u>System Annual Revenues</u>
Restaurants	898,040	\$ 3,823
Restaurants	700,940	3,104
Resort	700,010	3,068
Pool	576,200	2,614
Resort	565,200	2,557
Residence	518,970	2,429
Residence	453,970	2,141
Restaurants	430,390	2,070
Restaurants	413,570	2,006
Marina	408,230	1,969
	<u>5,665,520</u>	<u>\$ 25,781</u>

The top ten sewer customers accounted for 4.2% of current charges for the System in Fiscal Year 2022.

OTHER FINANCIAL INFORMATION

THE BRITTINGHAM GROUP, L.L.P.

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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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 1, 2022.

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 1, 2022