

THE TOWN OF EDISTO BEACH

EDISTO BEACH, SOUTH CAROLINA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

CONTENTS

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

CONTENTS

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

CONTENTS

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



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edisto Beach, South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edisto Beach, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

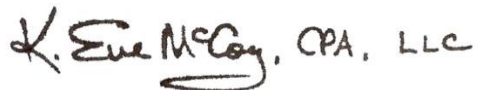
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Edisto Beach's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of fines and assessments, the schedule of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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 18, 2019, on my consideration of the Town of Edisto Beach's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Edisto Beach's internal control over financial reporting and compliance.

Handwritten signature of K. Eve McCoy, CPA, LLC

October 18, 2019

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

As management of the Town of Edisto Beach (Town), we offer readers the Town's financial statements with this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We encourage readers to not only consider the information presented here, but also the information provided in the basic financial statements and notes to the basic financial statements to enhance their understanding of the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities at the close of the fiscal year. Total net position was \$31,937,439. Of this amount, approximately \$27,196,197 and \$4,741,242 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) were approximately \$4,279,245 for its governmental activities and approximately \$3,423,581 for its business-type activities.

The Town's total net position increased over last year's net position by \$782,321 due to a combination of tax revenue increases, fee increases and a decrease in unfunded liability for pension obligations. According to GASB 68, net pension obligation \$2,999,645 is reported under liabilities. Total revenues of approximately \$7,171,829 exceeded total expenses of approximately \$6,389,508.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$9,235,911, an increase of approximately \$1,495,956, over the prior year's fund balance. Approximately 66.57% of this total amount, or approximately \$6,148,525, is available for spending at the Town's discretion (unrestricted fund balance).

At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$4,930,439, or 80.49% of the total General Fund fund balance for the year ended June 30, 2019.

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

The following tables provide a summary of the Town's changes in net position for the year ended June 30, 2019:

Total net position	\$ 31,937,439
Increase in net position	\$ 782,321
Restricted net position	\$ 3,291,788
Unrestricted net position	\$ 7,702,826
Decrease in total debt	\$ 267,832

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

Government-Wide Basic Financial Statements

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

FUND BASIC FINANCIAL STATEMENTS

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

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

The Town has two kinds of funds:

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

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

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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

Notes to the Financial Statements

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

Other Information

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

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

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

The Town's net position at fiscal year-end is \$31,937,439. This is a \$782,321 increase over last year's net position of \$31,155,118. The following table provides a summary of the Town's net position at June 30:

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

SUMMARY OF NET POSITION

	Governmental Activities		Business-Type Activities		Totals		Amount Change	% Change
	2019	2018	2019	2018	2019	2018		
Current and other assets	\$ 9,679,772	\$ 8,052,231	\$ 8,482,663	\$ 11,145,894	\$ 18,162,435	\$ 19,198,125	\$ (1,035,690)	-5.39%
Capital assets	<u>21,839,566</u>	<u>23,105,871</u>	<u>6,117,407</u>	<u>3,025,074</u>	<u>27,956,973</u>	<u>26,130,945</u>	<u>1,826,028</u>	6.99%
Total Assets	\$ <u>31,519,338</u>	\$ <u>31,158,102</u>	\$ <u>14,600,070</u>	\$ <u>14,170,968</u>	\$ <u>46,119,408</u>	\$ <u>45,329,070</u>	\$ <u>790,338</u>	1.74%
Deferred outflows of resources	\$ 412,533	\$ 634,954	\$ 183,655	\$ 263,145	\$ 596,188	\$ 898,099	\$ (301,911)	-33.62%
Long-term liabilities	\$ 4,085,610	\$ 4,287,996	\$ 9,078,312	\$ 9,276,357	\$ 13,163,922	\$ 13,564,353	\$ (400,431)	-2.95%
Other liabilities	<u>536,547</u>	<u>403,190</u>	<u>934,317</u>	<u>860,444</u>	<u>1,470,864</u>	<u>1,263,634</u>	<u>207,230</u>	16.40%
Total Liabilities	\$ <u>4,622,157</u>	\$ <u>4,691,186</u>	\$ <u>10,012,629</u>	\$ <u>10,136,801</u>	\$ <u>14,634,786</u>	\$ <u>14,827,987</u>	\$ <u>(193,201)</u>	-1.30%
Deferred inflows of resources	\$ 113,517	\$ 187,750	\$ 29,854	\$ 56,314	\$ 143,371	\$ 244,064	\$ (100,693)	-41.26%
<u>Net Position</u>								
Invested in capital assets, net of related debt	\$ 19,829,566	\$ 21,025,871	\$ 1,113,259	\$ 1,391,281	\$ 20,942,825	\$ 22,417,152	\$ (1,474,327)	-6.58%
Restricted	3,087,386	2,658,249	204,402	171,717	3,291,788	2,829,966	461,822	16.32%
Unrestricted	<u>4,279,245</u>	<u>3,230,000</u>	<u>3,423,581</u>	<u>2,678,000</u>	<u>7,702,826</u>	<u>5,908,000</u>	<u>1,794,826</u>	30.38%
Total Net Position	\$ <u>27,196,197</u>	\$ <u>26,914,120</u>	\$ <u>4,741,242</u>	\$ <u>4,240,998</u>	\$ <u>31,937,439</u>	\$ <u>31,155,118</u>	\$ <u>782,321</u>	2.51%

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Net Position

Net position of the Town's governmental activities increased by \$282,077 or 1.04% to \$27,196,197. However, much of those net positions either are restricted as to the purposes for which they can be used, or are invested in capital assets (buildings, equipment and such). Unrestricted net position increased by 32.48% to \$4,279,245.

Net position of the Town's business-type activities increased 11.79% to \$4,741,242. These resources cannot be used to add to the net position surplus in governmental activities. The Town generally can only use these net positions to finance the continuing operations of the business-type activities.

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

SUMMARY OF CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		
<u>Revenues</u>								
Program revenues								
Charges for services	\$ 784,183	\$ 734,656	\$ 1,791,832	\$ 1,669,287	\$ 2,576,015	\$ 2,403,943	\$ 172,072	7.16%
Operating grants & contributions	610,057	304,931	-	-	610,057	304,931	305,126	100.06%
Capital grants & contributions	-	-	-	-	-	-	-	-
General revenues								
Property taxes	1,197,035	1,194,182	-	-	1,197,035	1,194,182	2,853	0.24%
Local option sales taxes	177,946	166,847	-	-	177,946	166,847	11,099	6.65%
Accommodations taxes	746,588	732,340	-	-	746,588	732,340	14,248	1.95%
Hospitality taxes	254,725	203,340	-	-	254,725	203,340	51,385	25.27%
Business taxes	725,132	749,156	-	-	725,132	749,156	(24,024)	-3.21%
Intergovernmental revenues	372,269	369,340	-	-	372,269	369,340	2,929	0.79%
Other	<u>328,870</u>	<u>195,401</u>	<u>183,192</u>	<u>92,069</u>	<u>512,062</u>	<u>287,470</u>	<u>224,592</u>	<u>78.13%</u>
Total Revenues	<u>\$ 5,196,805</u>	<u>\$ 4,650,193</u>	<u>\$ 1,975,024</u>	<u>\$ 1,761,356</u>	<u>\$ 7,171,829</u>	<u>\$ 6,411,549</u>	<u>\$ 760,280</u>	<u>11.86%</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

SUMMARY OF CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		
<u>Expenses</u>								
General								
government	\$ 1,513,787	\$ 1,774,378	\$ -	\$ -	\$ 1,513,787	\$ 1,774,378	\$ (260,591)	-14.69%
Public safety	1,261,631	1,282,001	-	-	1,261,631	1,282,001	(20,370)	-1.59%
Public works	299,622	549,505	-	-	299,622	549,505	(249,883)	-45.47%
Recreation & culture	196,085	279,407	-	-	196,085	279,407	(83,322)	-29.82%
Beach preservation	1,542,465	1,070,121	-	-	1,542,465	1,070,121	472,344	44.14%
Interest on long-term debt	101,138	104,287	-	-	101,138	104,287	(3,149)	-3.02%
Intergovernmental	-	-	-	-	-	-	-	-
Water & sewer	-	-	1,474,780	1,667,895	1,474,780	1,667,895	(193,115)	-11.58%
Total Expenses	\$ 4,914,728	\$ 5,059,699	\$ 1,474,780	\$ 1,667,895	\$ 6,389,508	\$ 6,727,594	\$ (338,086)	-5.03%
<u>Change in Net Position</u>	\$ 282,077	\$ (409,506)	\$ 500,244	\$ 93,461	\$ 782,321	\$ (316,045)	\$ 1,098,366	-347.53%
<u>Beginning Net Position</u>	26,914,120	27,323,626	4,240,998	4,147,537	31,155,118	31,471,163	(316,045)	-1.00%
<u>Ending Net Position</u>	\$ 27,196,197	\$ 26,914,120	\$ 4,741,242	\$ 4,240,998	\$ 31,937,439	\$ 31,155,118	\$ 782,321	2.51%

CHANGES IN NET POSITION

The Town's total revenues increased by 11.86% to \$7,171,829. This increase in revenues was due in part to 15% increase in water fees, tourism taxes and an increase in garbage fees. Approximately 46% of the Town's revenue comes from fees charged for services and business taxes. Approximately 19% of the Town's revenue comes from property taxes and local option sales taxes. Another 14% comes from tourism taxes with the balance from intergovernmental revenues, and operating grants/contributions and miscellaneous sources.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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

Governmental Activities

Revenues for the Town's governmental activities increased by \$546,612 to \$5,196,805 of which part of this increase was due to an increase in garbage fees, grants to remediate storm damages and tourism taxes.

Total expenses decreased by \$144,971 to \$4,914,728.

Business-Type Activities

Revenues for charges for services were adjusted this fiscal year. The water rate was increased by 15% on May 14, 2019 as scheduled to pay for additional debt acquired in 2017 for the Water Improvement Project.

Total expenses for the Town's business-type activities decreased from \$1,667,895 to \$1,474,780 from 2018 to 2019.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

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

Governmental funds reported ending fund balances of \$9,235,911. Of this year-end total, approximately \$4,930,439 is unassigned indicating availability for continuing Town service requirements.

Restricted, committed and assigned fund balances include: \$701,159 in the Beach Nourishment Capital Projects Fund restricted to beach preservation projects, \$1,100,400 committed to the Town equipment fund and PRIDE, \$1,796,093 (Hospitality and Accommodations Taxes) restricted to the promotion of recreation and tourism, \$496,160 (Alcohol Permitting, ATAX 65% and I & I) restricted to other projects, \$93,974 restricted to the promotion of the civic center and \$117,686 assigned to the Volunteer Fire Department.

The total ending fund balances of governmental funds show an increase of \$1,495,956 over the prior year.

Major Governmental Funds

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$1,064,594. Of the total fund balance of \$6,124,813, \$1,100,400 is committed as determined by Town Council. These funds are committed to the General Equipment Vehicle Replacement Fund which accrues funds as vehicle and equipment are depreciated and Edisto Pride which receives funds from Keep America Beautiful.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Proprietary Funds

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

Major Proprietary Funds

The Town's major proprietary fund is the water and sewer fund. The net position of the water and sewer fund increased by \$500,244.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2019 original budget to the final budget shows a net change of \$0.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2019, was \$21,839,566 and \$6,117,407, respectively. See Note 3 for additional information about changes in capital assets during the fiscal year.

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Total % Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
Non-Depreciable Assets:							
Land and other non-depreciable assets	\$ 7,201,371	\$ 7,201,371	\$ 4,019,526	\$ 900,699	\$ 11,220,897	\$ 8,102,070	38.49%
Depreciable Assets:							
Buildings	596,407	626,293	13,805	17,201	610,212	643,494	-5.17%
Improvements other than buildings	264,680	337,511			264,680	337,511	-21.58%
Infrastructure	13,271,926	14,346,431	1,848,595	1,988,570	15,120,521	16,335,001	-7.43%
Machinery and equipment	505,182	594,265	235,481	118,604	740,663	712,869	3.90%
Total	<u>\$ 21,839,566</u>	<u>\$ 23,105,871</u>	<u>\$ 6,117,407</u>	<u>\$ 3,025,074</u>	<u>\$ 27,956,973</u>	<u>\$ 26,130,945</u>	6.99%

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Long-Term Debt

At the end of the fiscal year, the Town had bonded debt outstanding of \$8,409,892 supported by pledged revenues generated primarily by the business-type activities of the Town (revenue bonds) and \$2,010,000 supported by general revenues generated by the governmental activities of the Town (general obligation bonds). Total long-term debt is \$10,463,009 of which \$43,117 is for compensated absences. Long-term debt decreased by \$267,832. The Town met its revenue bond covenant requirements.

Bond Ratings

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

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

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGET AND RATES

In fiscal year 2016, the Town experienced critical issues with water supply which resulted in the water system improvement project. A Guaranteed Maximum Price of \$7,200,000 was provided by a consulting group and the Town borrowed money to fund the project. A water rate study was conducted to determine rate increases needed to fund the new debt. Several changes to the project have occurred to the initial project design. Using value engineering, the Town abandoned several wells and a raw water line and installed three new wells. The project is on schedule with start-up anticipated in November 2019.

The contractor has indicated they plan to approach the Town for a change order to the Guaranteed Maximum Price. Operating costs of the new facility will need to be re-evaluated to ensure that the projected operational expenses are sufficient since more chemicals are needed to treat the water than originally planned.

The Town's water and sewer revenue bonds require rate increases to operate and maintain the Town's system. The 2011 water and sewer rate study that was updated in 2017 was re-evaluated in 2019 to ensure that planned rate increases were necessary and sufficient to meet bond covenants. Water rates were increased by 15% April 13, 2017, May 10, 2018 and May 14, 2019. Next year the water rates will increase another 15% in May and the sewer rates will increase 3%.

The Town is still awaiting closure of projects from past Hurricanes and management has requested assistance from the South Carolina Department of Emergency Management Department. All storm related projects and work have been completed.

Beach nourishment funding continues to generate debate and the Town continues to pursue the US Army Corp funds.

Numerous smaller projects that were postponed due to recovery efforts have been undertaken.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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

The millage rate was increased this year to 23.52 mills using banked millage caps that were going to expire.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF NET POSITION
June 30, 2019

Page 1 of 2

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CURRENT ASSETS			
Cash and cash equivalents	\$ 8,910,062	\$ 3,665,366	\$ 12,575,428
Receivables			
Taxes	40,740		40,740
Accounts	330,878	694,501	1,025,379
Grants	416,062		416,062
Inventory		28,854	28,854
Internal balances	(17,970)	17,970	-
Total Current Assets	\$ 9,679,772	\$ 4,406,691	\$ 14,086,463
RESTRICTED ASSETS			
Investments	\$ -	\$ 4,075,972	\$ 4,075,972
Total Restricted Assets	\$ -	\$ 4,075,972	\$ 4,075,972
NONCURRENT ASSETS			
Capital assets			
Land and other non-depreciable assets	\$ 7,201,371	\$ 4,019,526	\$ 11,220,897
Capital assets, net of depreciation	14,638,195	2,097,881	16,736,076
Total Noncurrent Assets	\$ 21,839,566	\$ 6,117,407	\$ 27,956,973
Total Assets	\$ 31,519,338	\$ 14,600,070	\$ 46,119,408
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts from refunding of debt	\$ -	\$ 63,471	\$ 63,471
Deferred outflows related to pensions	412,533	120,184	532,717
Total Deferred Outflows of Resources	\$ 412,533	\$ 183,655	\$ 596,188

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF NET POSITION
June 30, 2019

Page 2 of 2

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 38,371	\$ 13,951	\$ 52,322
Interest payable	24,694		24,694
Unearned revenue	364,750	617,627	982,377
Compensated absences	33,732		33,732
Bonds payable	75,000	-	75,000
Total Current Liabilities	\$ 536,547	\$ 631,578	\$ 1,168,125
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)			
Interest payable	\$ -	\$ 112,739	\$ 112,739
Bonds payable	-	190,000	190,000
Total Current Liabilities (Payable From Restricted Assets)	\$ -	\$ 302,739	\$ 302,739
NONCURRENT LIABILITIES			
Compensated absences	\$ 9,385	\$ -	\$ 9,385
Bonds payable	1,935,000	8,219,892	10,154,892
Net pension obligation	2,141,225	858,420	2,999,645
Total Noncurrent Liabilities	\$ 4,085,610	\$ 9,078,312	\$ 13,163,922
Total Liabilities	\$ 4,622,157	\$ 10,012,629	\$ 14,634,786
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 113,517	\$ 29,854	\$ 143,371
Total Deferred Inflows of Resources	\$ 113,517	\$ 29,854	\$ 143,371
NET POSITION			
Invested in capital assets, net of related debt	\$ 19,829,566	\$ 1,113,259	\$ 20,942,825
Restricted	3,087,386	204,402	3,291,788
Unrestricted	4,279,245	3,423,581	7,702,826
Total Net Position	\$ 27,196,197	\$ 4,741,242	\$ 31,937,439

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTAL</u>
Governmental Activities							
General government	\$ 1,513,787	\$ 625,683	\$ 236,752	\$ -	\$ (651,352)	\$ -	\$ (651,352)
Public safety	1,261,631	102,701			(1,158,930)		(1,158,930)
Public works	299,622		31,387		(268,235)		(268,235)
Recreation and culture	196,085	55,799			(140,286)		(140,286)
Beach preservation	1,542,465		341,918		(1,200,547)		(1,200,547)
Interest	<u>101,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,138)</u>	<u>-</u>	<u>(101,138)</u>
Total Governmental Activities	<u>\$ 4,914,728</u>	<u>\$ 784,183</u>	<u>\$ 610,057</u>	<u>\$ -</u>	<u>\$ (3,520,488)</u>	<u>\$ -</u>	<u>\$ (3,520,488)</u>
Business Activities							
Water and sewer	<u>\$ 1,474,780</u>	<u>\$ 1,791,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,052</u>	<u>\$ 317,052</u>
Total Business-Type Activities	<u>\$ 1,474,780</u>	<u>\$ 1,791,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,052</u>	<u>\$ 317,052</u>
Total Government	<u>\$ 6,389,508</u>	<u>\$ 2,576,015</u>	<u>\$ 610,057</u>	<u>\$ -</u>	<u>\$ (3,520,488)</u>	<u>\$ 317,052</u>	<u>\$ (3,203,436)</u>
General Revenues							
Taxes							
				\$ 1,197,035	\$ -		\$ 1,197,035
				177,946			177,946
				746,588			746,588
				254,725			254,725
				725,132			725,132
				372,269			372,269
				138,247	183,192		321,439
				95,051			95,051
				<u>95,572</u>	<u>-</u>		<u>95,572</u>
Total General Revenues				<u>\$ 3,802,565</u>	<u>\$ 183,192</u>		<u>\$ 3,985,757</u>
CHANGE IN NET POSITION				\$ 282,077	\$ 500,244		\$ 782,321
NET POSITION - BEGINNING				<u>26,914,120</u>	<u>4,240,998</u>		<u>31,155,118</u>
NET POSITION - ENDING				<u>\$ 27,196,197</u>	<u>\$ 4,741,242</u>		<u>\$ 31,937,439</u>

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>GENERAL FUND</u>	<u>LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND</u>	<u>HOSPITALITY TAX SPECIAL REVENUE FUND</u>	<u>BEACH NOURISHMENT CAPITAL PROJECTS FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 6,322,438	\$ 1,470,687	\$ 293,401	\$ 215,054	\$ 608,482	\$ 8,910,062
Receivables						
Taxes	40,740					40,740
Accounts	330,878					330,878
Grants	416,062					416,062
Due from other funds	-	31,669	25,218	486,105	7,050	550,042
Total Assets	\$ 7,110,118	\$ 1,502,356	\$ 318,619	\$ 701,159	\$ 615,532	\$ 10,247,784
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts payable	\$ 11,803	\$ 24,882	\$ -	\$ -	\$ 1,686	\$ 38,371
Unearned revenue	364,750					364,750
Due to other funds	568,012	-	-	-	-	568,012
Total Liabilities	\$ 944,565	\$ 24,882	\$ -	\$ -	\$ 1,686	\$ 971,133
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - property taxes	\$ 40,740	\$ -	\$ -	\$ -	\$ -	\$ 40,740
<u>Fund Balances</u>						
Restricted	\$ 93,974	\$ 1,477,474	\$ 318,619	\$ 701,159	\$ 496,160	\$ 3,087,386
Committed	1,100,400					1,100,400
Assigned					117,686	117,686
Unassigned	4,930,439	-	-	-	-	4,930,439
Total Fund Balances	\$ 6,124,813	\$ 1,477,474	\$ 318,619	\$ 701,159	\$ 613,846	\$ 9,235,911
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,110,118	\$ 1,502,356	\$ 318,619	\$ 701,159	\$ 615,532	\$ 10,247,784

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 9,235,911
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.	21,839,566
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.	40,740
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	412,533
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	(113,517)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Accrued compensated absences	\$ (43,117)
Accrued interest	(24,694)
Bonds payable	(2,010,000)
Net pension obligation	<u>(2,141,225)</u>
	<u>(4,219,036)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>27,196,197</u>

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2019

Page 1 of 2

	GENERAL FUND	LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	BEACH NOURISHMENT CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
<u>REVENUES</u>						
General property taxes	\$ 1,197,753	\$ -	\$ -	\$ -	\$ -	\$ 1,197,753
Local option sales taxes	177,946					177,946
Accommodations taxes	46,150	425,484			274,954	746,588
Hospitality taxes			254,725			254,725
Licenses and permits	725,132					725,132
Charges for services	718,982					718,982
Fines and forfeitures	65,201					65,201
Intergovernmental revenues	318,434				53,835	372,269
Grant revenues	610,057					610,057
Interest revenues	101,830	26,326	3,390	111	6,590	138,247
Rental revenues	95,051					95,051
Miscellaneous revenues	23,418	260	-	-	71,894	95,572
Total Revenues	\$ 4,079,954	\$ 452,070	\$ 258,115	\$ 111	\$ 407,273	\$ 5,197,523
<u>EXPENDITURES</u>						
Current						
General government	\$ 1,489,904	\$ -	\$ -	\$ -	\$ -	\$ 1,489,904
Public safety	1,027,358				48,846	1,076,204
Public works	297,938					297,938
Recreation and culture			10,011	10,394	104,614	125,019
Beach preservation	341,918	130,754				472,672
Debt service						
Principal	70,000					70,000
Interest	101,925					101,925
Capital outlay						
General government	45,473	-	-	-	22,432	67,905
Total Expenditures	\$ 3,374,516	\$ 130,754	\$ 10,011	\$ 10,394	\$ 175,892	\$ 3,701,567

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2019

Page 2 of 2

	GENERAL FUND	LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	BEACH NOURISHMENT CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
<u>EXCESS (DEFICIENCY) OF</u>						
<u>REVENUES OVER EXPENDITURES</u>	\$ 705,438	\$ 321,316	\$ 248,104	\$ (10,283)	\$ 231,381	\$ 1,495,956
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	359,156					359,156
Transfers out	-	(150,000)	(159,156)	-	(50,000)	(359,156)
Total Other Financing Sources (Uses)	<u>\$ 359,156</u>	<u>\$ (150,000)</u>	<u>\$ (159,156)</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ -</u>
<u>NET CHANGE IN FUND BALANCES</u>	\$ 1,064,594	\$ 171,316	\$ 88,948	\$ (10,283)	\$ 181,381	\$ 1,495,956
<u>FUND BALANCES - BEGINNING</u>	<u>5,060,219</u>	<u>1,306,158</u>	<u>229,671</u>	<u>711,442</u>	<u>432,465</u>	<u>7,739,955</u>
<u>FUND BALANCES - ENDING</u>	<u>\$ 6,124,813</u>	<u>\$ 1,477,474</u>	<u>\$ 318,619</u>	<u>\$ 701,159</u>	<u>\$ 613,846</u>	<u>\$ 9,235,911</u>

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For The Fiscal Year Ended June 30, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL	\$ 1,495,956
 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.	67,905
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(1,334,210)
Repayment of debt decreases long-term liabilities in the Statement of Activities.	70,000
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(718)
Decrease in accrued compensated absences is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	3,997
Decrease in accrued interest payable is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	787
Change in pension deferred outflows (inflows) of resources (net) and net pension liability is included in the governmental activities in the Statement of Assets.	<u>(21,640)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 282,077</u>

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

Page 1 of 2

	BUSINESS-TYPE ACTIVITIES	
	ENTERPRISE FUNDS	
ASSETS	WATER AND SEWER	TOTAL
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,665,366	\$ 3,665,366
Accounts receivable	694,501	694,501
Inventory	28,854	28,854
Due from other funds	17,970	17,970
Total Current Assets	\$ 4,406,691	\$ 4,406,691
RESTRICTED ASSETS		
Investments	\$ 4,075,972	\$ 4,075,972
Total Restricted Assets	\$ 4,075,972	\$ 4,075,972
NONCURRENT ASSETS		
Capital assets		
Capital assets not depreciated	\$ 4,019,526	\$ 4,019,526
Capital assets depreciated, net	2,097,881	2,097,881
Total Noncurrent Assets	\$ 6,117,407	\$ 6,117,407
Total Assets	\$ 14,600,070	\$ 14,600,070
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from refunding of debt	\$ 63,471	\$ 63,471
Deferred amounts related to pension	120,184	120,184
Total Deferred Outflows	\$ 183,655	\$ 183,655

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

Page 2 of 2

	BUSINESS-TYPE ACTIVITIES	
	ENTERPRISE FUNDS	
LIABILITIES	WATER AND SEWER	TOTAL
CURRENT LIABILITIES		
Accounts payable	\$ 13,951	\$ 13,951
Unearned revenue	617,627	617,627
Total Current Liabilities	\$ 631,578	\$ 631,578
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Interest payable	\$ 112,739	\$ 112,739
Bonds payable	190,000	190,000
Total Current Liabilities (Payable From Restricted Assets)	\$ 302,739	\$ 302,739
NONCURRENT LIABILITIES		
Bonds payable	\$ 8,219,892	\$ 8,219,892
Net pension obligation	858,420	858,420
Total Noncurrent Liabilities	\$ 9,078,312	\$ 9,078,312
Total Liabilities	\$ 10,012,629	\$ 10,012,629
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pension	\$ 29,854	\$ 29,854
Total Deferred Outflows	\$ 29,854	\$ 29,854
NET POSITION		
Invested in capital assets, net of related debt	\$ 1,113,259	\$ 1,113,259
Restricted for debt service	204,402	204,402
Unrestricted	3,423,581	3,423,581
Total Net Position	\$ 4,741,242	\$ 4,741,242

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

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

For The Fiscal Year Ended June 30, 2019

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>ENTERPRISE FUNDS</u>	
	<u>WATER AND SEWER</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 1,791,832	\$ 1,791,832
Total Operating Revenues	<u>\$ 1,791,832</u>	<u>\$ 1,791,832</u>
<u>OPERATING EXPENSES</u>		
Personal services	\$ 586,111	\$ 586,111
Operating expenses	409,135	409,135
Depreciation	<u>182,750</u>	<u>182,750</u>
Total Operating Expenses	<u>\$ 1,177,996</u>	<u>\$ 1,177,996</u>
Operating Income	<u>\$ 613,836</u>	<u>\$ 613,836</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	\$ 183,192	\$ 183,192
Interest expense	<u>(296,784)</u>	<u>(296,784)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (113,592)</u>	<u>\$ (113,592)</u>
<u>CHANGE IN NET POSITION</u>	<u>\$ 500,244</u>	<u>\$ 500,244</u>
<u>TOTAL NET POSITION - BEGINNING</u>	<u>4,240,998</u>	<u>4,240,998</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 4,741,242</u>	<u>\$ 4,741,242</u>

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2019

Page 1 of 2

	BUSINESS-TYPE ACTIVITIES	
	ENTERPRISE FUNDS	
	WATER AND SEWER	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 1,538,139	\$ 1,538,139
Cash paid to suppliers for goods and services	(409,102)	(409,102)
Cash paid to employees	(538,638)	(538,638)
Net Cash Provided By Operating Activities	\$ 590,399	\$ 590,399
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of fixed assets	\$ (3,275,083)	\$ (3,275,083)
Interest paid on long-term debt	(301,265)	(301,265)
Principal paid on long-term debt	(185,000)	(185,000)
Due from other funds	(9,903)	(9,903)
Net Cash Flows From Capital And Related Financing Activities	\$ (3,771,251)	\$ (3,771,251)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	\$ 183,192	\$ 183,192
Net Cash Flows From Investing Activities	\$ 183,192	\$ 183,192
<u>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</u>	\$ (2,997,660)	\$ (2,997,660)
<u>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</u>	10,738,998	10,738,998
<u>CASH AND EQUIVALENTS AT END OF YEAR</u>	\$ 7,741,338	\$ 7,741,338
<u>CLASSIFIED AS:</u>		
Current assets	\$ 3,665,366	\$ 3,665,366
Restricted assets	4,075,972	4,075,972
	\$ 7,741,338	\$ 7,741,338

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For The Fiscal Year Ended June 30, 2019

Page 2 of 2

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

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	WATER AND SEWER	TOTAL
<u>OPERATING INCOME</u>	\$ 613,836	\$ 613,836
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	182,750	182,750
<u>(INCREASE) DECREASE IN ASSETS</u>		
Accounts receivable	(311,955)	(311,955)
Inventory	(12,571)	(12,571)
<u>INCREASE (DECREASE) IN LIABILITIES</u>		
Accounts payable	12,604	12,604
Unearned revenue	58,262	58,262
Pension deferrals	47,473	47,473
Net Cash Provided (Used) By Operating Activities	\$ 590,399	\$ 590,399

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

1. **Summary of Significant Accounting Policies**

A. **The Reporting Entity**

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items. Proprietary Fund types include the following funds:

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

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

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

The Town reports the following major governmental funds:

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

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

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

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

The Town reports the following major enterprise fund:

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

C. **Assets, Liabilities and Equity**

1. **Cash and Investments**

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

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

2. **Inventory**

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

3. **Capital Assets**

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

3. **Capital Assets (Continued)**

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

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

4. **Compensated Absences**

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

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

5. **Long-Term Obligations**

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

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

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

6. **Fund Balance**

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

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

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

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

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

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

Nonspendable fund balance

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

Restricted fund balance

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Fund Balance (Continued)

Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

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

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

7. **Accounting Estimates**

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

8. **Comparative Data**

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

2. **Stewardship, Compliance and Accountability**

A. **Budgets and Budgetary Data**

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

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

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

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

A. **Deposits and Investments**

1. **Deposits**

At year end, the carrying amount of the Town's deposits with financial institutions was \$2,604,832 and the corresponding bank balance was \$2,638,368.

Custodial Credit Risk – For deposits, this is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. At June 30, 2019, the Town was exposed to custodial risk as follows:

Uninsured and collateral held by pledging bank's bond department in Town's name \$2,388,368.

2. **Investments**

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

At June 30, 2019, the Town's unrestricted investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$9,970,596. It is the policy of the State Treasurer that the weighted average maturity of the LGIP portfolio not exceed 60 days. For purposes of financial statement presentation, funds deposited with the SCLGIP and certificates of deposit are classified as cash and cash equivalents.

At June 30, 2019, the Town also has investments restricted for payment of its revenue bond obligations in the amounts of \$317,141 and \$3,758,831 of unspent proceeds of the Series 2017 revenue bonds restricted for construction. The investments comprise direct obligations of the U. S. government held by the paying agent in the Town's name in the amount of \$4,075,972.

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

2. **Investments (Continued)**

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

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

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

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

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3. **Detailed Notes On All Funds and Activities (Continued)**
 - B. **Receivables, Uncollectible Accounts, and Unearned Revenue (Continued)**
 2. **Governmental Receivables, Uncollectible Accounts and Unearned Revenue**

Receivables due from customers for garbage service are reported in the Governmental Fund and governmental activities.

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

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

3. **Property Taxes Receivable, Unearned Revenue and Property Tax Calendar**

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

C. **Capital Assets**

Capital assets activity for the fiscal year follows:

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>
<u>Governmental Activities</u>				
Capital assets not depreciated:				
Land	\$ 7,151,372	\$ -	\$ -	\$ 7,151,372
Land improvements	<u>49,999</u>	<u>-</u>	<u>-</u>	<u>49,999</u>
Total Assets Not Depreciated	<u>\$ 7,201,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,201,371</u>
Capital assets depreciated:				
Buildings	\$ 998,243	\$ -	\$ -	\$ 998,243
Improvements other than buildings	920,233			920,233
Machinery and equipment	2,326,599	67,905	(50,902)	2,343,602
Infrastructure - sidewalks	763,375			763,375
- beach nourishment	<u>14,829,327</u>	<u>-</u>	<u>-</u>	<u>14,829,327</u>
Total Assets Depreciated	<u>\$ 19,837,777</u>	<u>\$ 67,905</u>	<u>\$ (50,902)</u>	<u>\$ 19,854,780</u>
Less accumulated depreciation:				
Buildings	\$ 371,950	\$ 29,886	\$ -	\$ 401,836
Improvements other than buildings	582,722	72,831		655,553
Machinery and equipment	1,732,334	156,988	(50,902)	1,838,420
Infrastructure	<u>1,246,271</u>	<u>1,074,505</u>	<u>-</u>	<u>2,320,776</u>
Total Accumulated Depreciation	<u>\$ 3,933,277</u>	<u>\$ 1,334,210</u>	<u>\$ (50,902)</u>	<u>\$ 5,216,585</u>
Total Depreciable Capital Assets, Net	<u>\$ 15,904,500</u>	<u>\$ (1,266,305)</u>	<u>\$ -</u>	<u>\$ 14,638,195</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 23,105,871</u>	<u>\$ (1,266,305)</u>	<u>\$ -</u>	<u>\$ 21,839,566</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

	July 1	Additions	Deductions	June 30
Business-type Activities				
Capital assets not depreciated:				
Land	\$ 290,906	\$ -	\$ -	\$ 290,906
Construction in progress	609,793	3,118,827	-	3,728,620
Total Assets Not Depreciated	\$ 900,699	\$ 3,118,827	\$ -	\$ 4,019,526
Capital assets depreciated:				
Buildings	\$ 90,532	\$ -	\$ -	\$ 90,532
System infrastructure	5,328,243		(12,264)	5,315,979
Machinery and equipment	1,156,940	156,256	(96,898)	1,216,298
Total Assets Depreciated	\$ 6,575,715	\$ 156,256	\$ (109,162)	\$ 6,622,809
Less accumulated depreciation:				
Buildings	\$ 73,331	\$ 3,396	\$ -	\$ 76,727
System infrastructure	3,339,673	139,975	(12,264)	3,467,384
Machinery and equipment	1,038,336	39,379	(96,898)	980,817
Total Accumulated Depreciation	\$ 4,451,340	\$ 182,750	\$ (109,162)	\$ 4,524,928
Total Depreciable Capital Assets, Net	\$ 2,124,375	\$ (26,494)	\$ -	\$ 2,097,881
Total Business-type Activities Capital Assets, Net	\$ 3,025,074	\$ 3,092,333	\$ -	\$ 6,117,407

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

Governmental Activities

General government	\$ 39,078
Public safety	152,976
Public works	1,297
Recreation and culture	71,066
Beach preservation	1,069,793
Total	\$ 1,334,210

Business-type Activities

Water and sewer	\$ 182,750
Total	\$ 182,750

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

C. **Capital Assets (Continued)**

Property with a carrying value of \$5,562,766 at June 30, 2019 is required to be held by the Town in perpetuity for the use of the public.

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

D. **Long-Term Debt**

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

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
Revenue bonds	\$ 8,445,000	\$ -	\$ 185,000	\$ 8,260,000	\$ 190,000
Premiums	<u>158,727</u>	<u>-</u>	<u>8,835</u>	<u>149,892</u>	<u>-</u>
Total	<u>\$ 8,603,727</u>	<u>\$ -</u>	<u>\$ 193,835</u>	<u>\$ 8,409,892</u>	<u>\$ 190,000</u>
<u>Governmental Activities</u>					
Compensated absences	\$ 47,114	\$ -	\$ 3,997	\$ 43,117	\$ 33,732
General obligation bonds	<u>2,080,000</u>	<u>-</u>	<u>70,000</u>	<u>2,010,000</u>	<u>75,000</u>
Total	<u>\$ 2,127,114</u>	<u>\$ -</u>	<u>\$ 73,997</u>	<u>\$ 2,053,117</u>	<u>\$ 108,732</u>
Total Long-Term Debt	<u>\$ 10,730,841</u>	<u>\$ -</u>	<u>\$ 267,832</u>	<u>\$ 10,463,009</u>	<u>\$ 298,732</u>

Long-term debt payable at June 30, 2019 is composed of the following issues:

Revenue Bonds

Series 2012 bonds - due in installments beginning in 2012 to and including 2042; interest at 1.25% to 4.00% \$ 1,400,000

Series 2017 bonds - due in installments beginning in 2018 to and including 2047; interest at 2.00% to 4.00% 6,860,000

Total Revenue Bonds For Business-Type Activities \$ 8,260,000

General Obligation Bonds

\$2,700,000 general obligation bonds of 2007 - due in installments beginning in 2008 and including 2037; interest at 4.3% to 5.0%. \$ 2,010,000

Total General Obligation Bonds For Governmental Activities \$ 2,010,000

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

The annual requirements to amortize all debt outstanding at June 30, 2019, including interest payments are as follows:

BUSINESS-TYPE ACTIVITIES
REVENUE BONDS

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$ 190,000	\$ 296,075	\$ 486,075
2021	195,000	290,735	485,735
2022	200,000	285,245	485,245
2023	205,000	279,415	484,415
2024	215,000	273,169	488,169
2025-2029	1,170,000	1,261,570	2,431,570
2030-2034	1,390,000	1,040,756	2,430,756
2035-2039	1,675,000	750,319	2,425,319
2040-2044	1,920,000	418,025	2,338,025
2045-2047	1,100,000	89,000	1,189,000
	<u>\$ 8,260,000</u>	<u>\$ 4,984,309</u>	<u>\$13,244,309</u>

GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$ 75,000	\$ 98,775	\$ 173,775
2021	80,000	95,400	175,400
2022	80,000	91,400	171,400
2023	85,000	87,400	172,400
2024	90,000	83,150	173,150
2025-2029	505,000	345,360	850,360
2030-2034	635,000	212,040	847,040
2035-2037	460,000	46,750	506,750
	<u>\$ 2,010,000</u>	<u>\$ 1,060,275</u>	<u>\$ 3,070,275</u>

TOTAL LONG-TERM DEBT

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$ 265,000	\$ 394,850	\$ 659,850
2021	275,000	386,135	661,135
2022	280,000	376,645	656,645
2023	290,000	366,815	656,815
2024	305,000	356,319	661,319
2025-2029	1,675,000	1,606,930	3,281,930
2030-2034	2,025,000	1,252,796	3,277,796
2035-2039	2,135,000	797,069	2,932,069
2040-2044	1,920,000	418,025	2,338,025
2045-2047	1,100,000	89,000	1,189,000
	<u>\$10,270,000</u>	<u>\$ 6,044,584</u>	<u>\$16,314,584</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

Specific years for payment of compensated absences are not determinable.

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

The Town's legal general obligation debt limit without referendum is 8.0% of the assessed valuation of property upon which it levies property taxes, or approximately \$4,268,000.

4. **Retirement Plan**

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

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

Plan Description

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. **Retirement Plan (Continued)**

Membership

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

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

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

Benefits

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

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

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9.00 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

Required employee contribution rates are as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates are as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
SCRS		
Employer Class Two	14.41%	13.41%
Employer Class Three	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	16.84%	15.84%
Employer Class Three	16.84%	15.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Benefit	0.20%	0.20%

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. Retirement Plan (Continued)
Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. At June 30, 2018, the Town's proportion was .007981% of SCRS and .042748% for PORS.

As of June 30, 2019, the Town reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	SCRS	PORS	TOTAL
Proportionate Share of Net Pension Liability	<u>\$ 1,788,374</u>	<u>\$ 1,211,271</u>	<u>\$ 2,999,645</u>

Included in the net pension liability is \$2,141,225 related to governmental activities and \$858,420 related to business-type activities. Typically, the General Fund or the Utility Fund, based on whichever fund an employee is assigned to and to which the employee's pension costs are charged, will be the fund to liquidate the net pension liability.

For the year ended June 30, 2019, the Town recognized pension expense of \$302,178, of which \$201,704 is related to governmental activities and \$100,474 is related to business-type activities. At June 30, 2019, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 143,371
Difference between actual and expected experience	314,749	
Pension contributions to the plan subsequent to the measurement date	217,968	-
Total	<u>\$ 532,717</u>	<u>\$ 143,371</u>

\$217,968 reported as deferred outflows of resources related to pension contributions subsequent to the measurement date will impact the net pension liability in fiscal year 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending June 30	Amount
2020	\$ 125,572
2021	86,851
2022	(32,241)
2023	(8,804)

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. **Retirement Plan (Continued)**

Actuarial Assumptions and Methods

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

The June 30, 2018, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the system's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued)

Assumptions used in the determination of the June 30, 2018, TPL are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
General Employees	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. **Retirement Plan (Continued)**

Discount Rate

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

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

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

	<u>1.00% Decrease</u> <u>(6.25%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.25%)</u>	<u>1.00% Increase</u> <u>(8.25%)</u>
Net pension liability of the Town	\$ 3,918,153	\$ 2,999,645	\$ 2,299,069

Pension Plan Fiduciary Net Position

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

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

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

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

A. **Receivables and Payables**

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

At June 30, 2019 there was a \$17,970 internal balance between governmental activities and business-type activities.

B. **Transfers and Payments**

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

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Local Accommodations Tax Special Revenue Fund	General Fund	\$ 150,000
Hospitality Tax Special Revenue Fund	General Fund	159,156
Tourism Special Revenue Fund	General Fund	<u>50,000</u>
		<u>\$ 359,156</u>

The government-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. There were no transfers during fiscal year 2019.

7. **Risk Management**

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

8. **Litigation**

From time to time, the Town is party to various legal proceedings which normally occur in governmental operations.

Management is not aware of any pending or threatened litigation, or unasserted claims or assessments that could have a material adverse impact on the various funds of the Town.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

9. **Grant Programs**
The Town participates in several state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives periodically. Such grant programs include FEMA and various other state and local grants.
10. **Contract Commitments**
The Town has open construction contracts totaling approximately \$3,616,245 at June 30, 2019 for water system capital improvements. The commitments will be paid from investments restricted to fund the costs and expenses relating to the various water system capital improvements to the Town's water utility system.
11. **Subsequent Events**
Subsequent events have been evaluated by management of the Town through October 18, 2019, which represents the date the financial statements were available to be issued.
12. **Hurricane Dorian**
As Hurricane Dorian approached the South Carolina coast, Governor McMaster issued an emergency declaration on August 31, 2019 and a mandatory evacuation on September 2, 2019. The Presidential Declaration was signed on September 2, 2019. Hurricane Dorian impacted Edisto Beach on September 5, 2019.

The Town incurred the following approximate costs as a result of the storm:

Emergency protective measures	\$ 55,000
Debris removal	\$ 35,000

In addition, the Town's engineers estimate the beachfront lost approximately 30,000 cubic yards of sand. If the Town elects to repair the damage, the cost is estimated at \$600,000. It is not known what federal and/or state assistance may be received to cover these costs. No provision for the estimated loss or possible federal and/or state reimbursements that may be awarded are recorded in the accompanying financial statements.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended June 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>				
General property taxes	\$ 1,186,710	\$ 1,186,710	\$ 1,197,753	\$ 11,043
Local option sales taxes	161,000	161,000	177,946	16,946
Other taxes	48,000	48,000	46,150	(1,850)
Licenses and permits	726,030	731,030	725,132	(5,898)
Charges for services	672,473	672,473	718,982	46,509
Fines and forfeitures	60,000	60,000	65,201	5,201
Intergovernmental revenues	318,013	318,013	318,434	421
Interest revenues	15,028	76,028	101,830	25,802
Rental revenues	86,920	86,920	95,051	8,131
Grant revenues	490,016	640,756	610,057	(30,699)
Miscellaneous revenues	<u>18,500</u>	<u>14,800</u>	<u>23,418</u>	<u>8,618</u>
Total Revenues	<u>\$ 3,782,690</u>	<u>\$ 3,995,730</u>	<u>\$ 4,079,954</u>	<u>\$ 84,224</u>
<u>EXPENDITURES</u>				
Current				
General government				
Town administration	\$ 1,382,320	\$ 1,449,747	\$ 1,205,243	\$ 244,504
Municipal court	92,077	97,441	91,165	6,276
Building inspector	222,238	222,828	193,496	29,332
Beach preservation		266,625	341,918	(75,293)
Public safety				
Police department	565,471	624,104	535,753	88,351
Fire department	541,327	621,816	491,605	130,211
Public works				
Streets and roads	287,379	295,669	297,938	(2,269)
Contingency	642,780	388,402		388,402
Debt service				
Principal	70,000	70,000	70,000	-
Interest	105,075	105,075	101,925	3,150
Capital outlay	<u>-</u>	<u>-</u>	<u>45,473</u>	<u>(45,473)</u>
Total Expenditures	<u>\$ 3,908,667</u>	<u>\$ 4,141,707</u>	<u>\$ 3,374,516</u>	<u>\$ 767,191</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>				
	<u>\$ (125,977)</u>	<u>\$ (145,977)</u>	<u>\$ 705,438</u>	<u>\$ 851,415</u>
<u>OTHER FINANCIAL SOURCES (USES)</u>				
Transfers in	<u>\$ 325,000</u>	<u>\$ 345,000</u>	<u>\$ 359,156</u>	<u>\$ 14,156</u>
Total Other Financial Sources (Uses)	<u>\$ 325,000</u>	<u>\$ 345,000</u>	<u>\$ 359,156</u>	<u>\$ 14,156</u>
<u>NET CHANGE IN FUND BALANCES</u>				
	<u>\$ 199,023</u>	<u>\$ 199,023</u>	<u>\$ 1,064,594</u>	<u>\$ 865,571</u>
<u>FUND BALANCES - BEGINNING</u>				
	<u>5,060,219</u>	<u>5,060,219</u>	<u>5,060,219</u>	<u>-</u>
<u>FUND BALANCES - ENDING</u>				
	<u>\$ 5,259,242</u>	<u>\$ 5,259,242</u>	<u>\$ 6,124,813</u>	<u>\$ 865,571</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY OF COST SHARING DEFINED BENEFIT PLAN
SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)
LAST 10 YEARS*
June 30, 2019

	June 30				
	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.007981%	0.008282%	0.007958%	0.008010%	0.008364%
Town's proportionate share of the net pension liability	\$ 1,788,374	\$ 1,864,411	\$ 1,699,817	\$ 1,519,135	\$ 1,440,004
Town's covered - employee payroll	\$ 850,450	\$ 827,093	\$ 835,614	\$ 770,629	\$ 751,015
Town's proportionate share of the net pension liability as percentage of covered-employee payroll	210.29%	225.42%	203.42%	197.13%	191.75%
Plan's fiduciary net position	\$ 26,414,916,370	\$ 25,732,829,268	\$ 23,996,362,354	\$ 25,131,828,101	\$ 25,738,521,026
Plan fiduciary net position as a percentage of the total pension liability	54.10%	53.30%	52.90%	57.00%	59.90%

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY OF COST SHARING DEFINED BENEFIT PLAN
POLICE OFFICERS RETIREMENT SYSTEM (PORS)
LAST 10 YEARS*
June 30, 2019

	June 30				
	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.042748%	0.046030%	0.043020%	0.045880%	0.045390%
Town's proportionate share of the net pension liability	\$ 1,211,271	\$ 1,260,992	\$ 1,091,115	\$ 999,866	\$ 869,054
Town's covered - employee payroll	\$ 632,182	\$ 599,069	\$ 628,696	\$ 556,508	\$ 576,940
Town's proportionate share of the net pension liability as percentage of covered-employee payroll	191.60%	210.49%	173.55%	179.67%	150.63%
Plan's fiduciary net position	\$ 4,570,430,247	\$ 4,274,123,178	\$ 3,876,035,072	\$ 3,971,824,838	\$ 3,985,101,996
Plan fiduciary net position as a percentage of the total pension liability	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.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF CONTRIBUTIONS TO COST
SHARING DEFINED BENEFIT PLAN
SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)
LAST 10 YEARS*
June 30, 2019

	June 30				
	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 123,826	\$ 112,154	\$ 95,344	\$ 85,232	\$ 81,860
Contributions in relation to the actuarially determined contributions	<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>
Town's covered-employee payroll	\$ 850,450	\$ 827,093	\$ 835,614	\$ 770,629	\$ 751,015
Contributions as a percentage of covered-employee payroll	14.56%	13.56%	11.56%	11.06%	10.90%
Notes to Schedule:					
Valuation date:	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF CONTRIBUTIONS TO COST
SHARING DEFINED BENEFIT PLAN
POLICE OFFICERS RETIREMENT SYSTEM (PORS)
LAST 10 YEARS*
June 30, 2019

	June 30				
	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 107,724	\$ 97,289	\$ 87,012	\$ 75,351	\$ 76,214
Contributions in relation to the actuarially determined contributions	<u>107,724</u>	<u>97,289</u>	<u>87,012</u>	<u>75,351</u>	<u>76,214</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 632,182	\$ 599,069	\$ 628,696	\$ 556,508	\$ 576,940
Contributions as a percentage of covered-employee payroll	17.04%	16.24%	14.24%	13.74%	13.41%
Notes to Schedule:					
Valuation date:	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	SPECIAL REVENUE FUNDS				
	TOURISM FUND	ALCOHOL PERMIT FUND	FIRE DEPARTMENT I&I FUND	VOLUNTEER FIRE DEPARTMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and cash equivalents	\$ 441,870	\$ 21,928	\$ 26,100	\$ 118,584	\$ 608,482
Due from other funds	-	7,050	-	-	7,050
Total Assets	\$ 441,870	\$ 28,978	\$ 26,100	\$ 118,584	\$ 615,532
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts payable	-	-	788	898	1,686
Total Liabilities	-	-	788	898	1,686
<u>Fund Balances</u>					
Restricted	\$ 441,870	\$ 28,978	\$ 25,312	-	\$ 496,160
Assigned	-	-	-	117,686	117,686
Total Fund Balances	\$ 441,870	\$ 28,978	\$ 25,312	\$ 117,686	\$ 613,846
Total Liabilities and Fund Balances	\$ 441,870	\$ 28,978	\$ 26,100	\$ 118,584	\$ 615,532

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2019

	<u>SPECIAL REVENUE FUNDS</u>				<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>TOURISM FUND</u>	<u>ALCOHOL PERMIT FUND</u>	<u>FIRE DEPARTMENT I&I FUND</u>	<u>VOLUNTEER FIRE DEPARTMENT FUND</u>	
<u>REVENUES</u>					
Accommodations taxes	\$ 274,954	\$ -	\$ -	\$ -	\$ 274,954
Intergovernmental revenues		22,050	31,785		53,835
Donations and special events				71,894	71,894
Interest revenues	<u>6,471</u>	<u>50</u>	<u>17</u>	<u>52</u>	<u>6,590</u>
Total Revenues	<u>\$ 281,425</u>	<u>\$ 22,100</u>	<u>\$ 31,802</u>	<u>\$ 71,946</u>	<u>\$ 407,273</u>
<u>EXPENDITURES</u>					
Current					
Public safety	\$ -	\$ -	\$ 20,082	\$ 28,764	\$ 48,846
Recreation and culture	82,614	22,000	-	-	104,614
Capital outlay	<u>22,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,432</u>
Total Expenditures	<u>\$ 105,046</u>	<u>\$ 22,000</u>	<u>\$ 20,082</u>	<u>\$ 28,764</u>	<u>\$ 175,892</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	<u>\$ 176,379</u>	<u>\$ 100</u>	<u>\$ 11,720</u>	<u>\$ 43,182</u>	<u>\$ 231,381</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfer out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Total Other Financing Sources (Uses)	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,000)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>\$ 126,379</u>	<u>\$ 100</u>	<u>\$ 11,720</u>	<u>\$ 43,182</u>	<u>\$ 181,381</u>
<u>FUND BALANCES - BEGINNING</u>	<u>315,491</u>	<u>28,878</u>	<u>13,592</u>	<u>74,504</u>	<u>432,465</u>
<u>FUND BALANCES - ENDING</u>	<u>\$ 441,870</u>	<u>\$ 28,978</u>	<u>\$ 25,312</u>	<u>\$ 117,686</u>	<u>\$ 613,846</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF FINES AND ASSESSMENTS
For The Year Ended June 30, 2019

Fines collected	<u>\$ 23,337</u>
Total assessment and surcharges to be collected	<u>\$ 34,819</u>
State assessment and surcharges	\$ 30,944
Local assessment and surcharges	<u>3,875</u>
Total assessment and surcharges collected	<u>\$ 34,819</u>
State assessment and surcharges remitted	\$ 30,944
Local assessment and surcharges retained by Town for victims assistance	3,875
Audit fee withheld from remittance	<u>-</u>
Total	<u>\$ 34,819</u>
Local assessment sent to Colleton County under agreement to provide victims assistance	<u>\$ 3,875</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF HISTORICAL NET REVENUES AND
DEBT SERVICE COVERAGE – WATER AND SEWER FUND
June 30, 2019

	Year Ended June 30							
	2019	2018	2017	2016	2015	2014	2013	2012
Charges for Services	\$ 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	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	(1,177,996)	(1,155,906)	(1,351,884)	(1,057,653)	(1,112,031)	(1,083,391)	(1,286,512)	(1,124,351)
Plus: Depreciation	182,750	197,393	211,587	199,253	204,234	235,031	232,973	236,083
Revenues Net of Expenses	797,028	605,450	187,851	377,147	330,874	315,073	133,778	250,602
Net Revenues	979,778	802,843	399,438	576,400	535,108	550,104	366,751	486,685
Total Debt Service/Parity Bonds	486,265	467,315	92,450	87,919	88,356	88,794	104,325	55,531
Debt Service Coverage Ratio	2.01	1.72	4.32	6.56	6.06	6.20	3.52	8.76

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SYSTEM STATISTICS
June 30, 2019

General

The Town operates a combined water treatment and distribution system and a wastewater collection and treatment system (the "System"). The water system component of the System consists of six groundwater wells, a 100,000 gallon elevated storage tank, a 200,000 gallon storage tank, two booster pump stations, and approximately 26 miles of waterline piping. The Town serves drinking water to approximately 2,390 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 1,052 customers served by the Town's sewer system.

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

Description of the Water System

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

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

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

Present Water Service Area

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SYSTEM STATISTICS
June 30, 2019

Water Supply

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

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

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

<u>Fiscal Year</u>	<u>Average Daily Flow (MGD)</u>
2015	0.418
2016	0.450
2017	0.452
2018	0.395
2019	0.409

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SYSTEM STATISTICS
June 30, 2019

Water System Improvements to be Funded by Series 2017 Bonds

The Town's Water System improvement project consists of three new 10-inch wells approximately 580 feet deep with submersible pumps and variable frequency drive motors and approximately 10,000 feet of new transmission water main to connect the wells to the treatment plant providing additional water supply and the water supply needed to account for loss of water during the treatment process. Existing drinking water quality and removal of fluoride, sodium, and chloride will be improved by the construction of a building to house a new water treatment plant consisting of three reverse osmosis treatment skids each with a permeate capacity of 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 will consist of approximately 1,900 feet of line into the Atlantic Ocean. A concrete clearwell will be constructed under the treatment plant building to provide additional storage of 290,000 gallons. Automatic control valves will be installed on the fill line of both the existing elevated storage tank and the ground storage tank to control the filling of the tanks for water demand.

Description of the Sewer System
Sewer System

The wastewater treatment facility on Edisto Beach was constructed in 1986. Funding was provided through a HUD Community Development Grant and private developers in the Town (Fairfield Ocean Ridge and Marian Associates). The facility consists of an influent static screen, a multi-celled dual power level aerated lagoon consisting of one (1) complete mixed cell, three (3) partially mixed cells, and one (1) settling cell. Following the aerated lagoon, the effluent is disinfected via 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.

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SYSTEM STATISTICS
June 30, 2019

Service Area

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

Wastewater Collection and Treatment Facilities

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

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

<u>Fiscal Year</u>	<u>Average Daily Flow (MGD)</u>	<u>Peak Flow (MGD)</u>
2015	0.130268	0.201357
2016	0.156339	0.172579
2017	0.138332	0.348059
2018	0.165000	0.382000
2019	0.144188	1.008481

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SYSTEM STATISTICS
June 30, 2019

Customers

Set forth below are the historical number of water and sewer customers (measured by number of accounts) of the System and the growth during the period of Fiscal Year 2014 through Fiscal Year 2019.

Historical Customer Accounts

<u>Fiscal Year</u>	<u>Water</u>	<u>% Increase</u>	<u>Sewer</u>	<u>% Increase</u>
2014	2,344	0.51	1,038	0.38
2015	2,359	0.64	1,046	0.77
2016	2,365	0.38	1,047	0.09
2017	2,369	0.16	1,050	0.28
2018	2,378	0.37	1,051	0.09
2019	2,390	0.50	1,052	0.09

Largest Customers

Set forth below is information relating to the ten largest water and sewer customers of the System for the Fiscal Year 2019.

Ten Largest Water Customers
(For Fiscal Year 2019)

<u>Customer</u>	<u>Product/Use</u>	<u>Approximate Annual Water Consumption (Gallons)</u>	<u>Water System Annual Revenues</u>
EnMarket	Convenience Store	1,859,100	\$ 18,208
Wyndham Resorts	Pool	1,321,100	12,462
Edisto Beach State Park	State Park	1,163,400	10,745
Plantation Commercial Center	Pro Shop	890,390	8,488
Waterfront Restaurant	Convenience Store	655,140	7,169
Homeowner	Residence	615,900	2,445
Homeowner	Residence	605,150	6,317
Wyndham Resorts	Resort	604,720	1,919
Coots	Restaurant	602,520	3,396
Wyndham Resorts	Resort	594,300	5,624
Total		8,911,720	\$ 76,773

The top ten water customers accounted for 4.8% of current charges for the System in Fiscal Year 2019.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SYSTEM STATISTICS
June 30, 2019

Ten Largest Sewer Customers
(For Fiscal Year 2019)

<u>Customer</u>	<u>Product/Use</u>	<u>Approximate Annual Sewer Consumption (Gallons)</u>	<u>Sewer System Annual Revenues</u>
EnMarket	Convenience Store	1,859,100	\$ 18,208
Wyndham Resorts	Resort	1,324,100	12,462
Plantation Commercial Center	Resort	890,390	8,488
Waterfront Restaurant	Restaurant	655,140	7,168
Family Dinner, LLC	Restaurant	604,720	6,317
Wyndham Resorts	Resort	581,200	5,624
Whaleys	Restaurant	549,730	5,799
Wyndham Resorts	Resort	510,370	4,011
Homeowner	Residence	485,260	3,954
Edisto Marina Association	Marina	472,590	4,665
Total		7,932,600	\$ 76,696

The top ten sewer customers accounted for 10.7% of current charges for the System in Fiscal Year 2019.



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

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edisto Beach, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Edisto Beach's basic financial statements, and have issued my report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 of Edisto Beach's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

K. Eve McCoy, CPA, LLC

October 18, 2019

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For The Year Ended June 30, 2019

<u>FEDERAL GRANTOR/STATE AGENCY, PASS-THROUGH</u> <u>GRANTOR/PROGRAM TITLE/STATE PROJECT</u>	<u>CFDA</u> <u>NUMBER</u>	<u>CONTRACT</u> <u>GRANT</u> <u>NUMBER</u>	<u>EXPENDITURES</u>
Federal Expenditures			
Department of Homeland Security			
Federal Emergency Management Agency			
Passed through the State of South Carolina			
Division of Emergency Management Public			
Assistance Program			
FEMA-4346-PA-SC-Hurricane Irma	97.036	029-23020-00	\$ 387,774
FEMA-4394-PA-SC-Hurricane Florence	97.036	029-23020-00	<u>33,770</u>
Total Expenditures of Federal Awards			<u>\$ 421,544</u>

SCHEDULE OF STATE FINANCIAL ASSISTANCE

State Financial Assistance			
Emergency Management Division			
Public Assistance Program			
FEMA-4346-PA-SC-Hurricane Irma	N/A	029-23020-00	\$ 174,992
FEMA-4394-PA-SC-Hurricane Florence	N/A	029-23020-00	<u>11,257</u>
Total Expenditures of State Financial Assistance			<u>\$ 186,249</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019

SUMMARY OF AUDIT RESULTS

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

FINDINGS - FINANCIAL STATEMENT AUDIT

None.

FINDINGS – FEDERAL AWARD PROGRAM AUDIT

Not applicable.