

**THE TOWN OF EDISTO BEACH**

**EDISTO BEACH, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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# Town of Edisto Beach



**Burley L. Lyons, Mayor**

**Administration**

Iris Hill, Town Administrator  
Deborah Hargis, Municipal Clerk

**Council Members**

Pete Anderson  
Jane S. Darby  
Susan Hornsby  
Patti Smyer

September 12, 2014

To Town Council and the Citizens of Edisto Beach, South Carolina:

The Comprehensive Annual Financial Report of the Town of Edisto Beach for the fiscal year ending June 30, 2014, is hereby submitted for your review and information and to meet the requirements of South Carolina Law.

The responsibility for the accuracy of all presented data, the completeness, and the fairness of the presentation, including disclosures, rests with the Town. To the best of our knowledge and belief, the information is accurate in all material aspects and is reported based on comprehensive framework of internal controls that have been established for this purpose.

The financial statements of the Town of Edisto Beach consist only of all departments and funds of the Town. There are no separate governmental units or agencies combined to form the reporting entity since the Town is not financially accountable for any other separate organizations. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatement.

K. Eve McCoy, Certified Public Accountants, have issued an unqualified opinion on the Town of Edisto Beach financial statements for the year ending June 30, 2014. The independent auditor's report is located at the front of the financial statement section of this report.

Governmental Accounting Standards Board (GASB) requires management to provide a narrative introduction, overview and analysis to the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## **Profile of the Government**

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 a population of 414 according to the 2011 estimated population provided by the US Census. State funding to local governments and millage caps are based on population. Although the Town was successful in its challenge to the 2010 Census, the population did not change.

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. Legislative authority is vested in the Mayor and four Council Members, who are elected at large to serve four-year overlapping terms of office. The Mayor is the presiding officer of the Town Council.

The Council appoints an Administrator to serve as the chief executive and administrative officer to oversee the day-to-day operations of the Town. The Administrator is responsible for implementing the policies and ordinances of Town Council. The Administrator is assisted by several staff departments including building, police, fire, municipal court, public works, water and sewer and other general administrative support services.

The Town of Edisto Beach provides a full suite of services including police and fire protection, sanitation service, repair and maintenance of town roads and infrastructure, building regulation, planning, zoning, code enforcement and recreation and cultural services.

The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by Town Council. Activities of the General Fund, Special Revenue Funds, and Enterprise Funds are included in the annual appropriated budget, which is prepared using Generally Accepted Accounting Principles (GAAP) in all material respects. The level of budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is at the fund level. All appropriations lapse at the end of each year.

## **Local Economy**

The Town of Edisto Beach has grown dramatically since incorporation. According to the 2011 estimated population provided by the US Census, Edisto Beach has 414 permanent residents, compared to 129 freehold electors when the Town was incorporated in 1970. Significant growth and development has taken place along the Town's oceanfront in the last decade. The Town of Edisto Beach is heavily dependent on the tourism industry as related businesses pay a vast majority of the taxes and fees used to provide services. The Town's beach location continues to promote tourism.

Tourism is South Carolina's 2<sup>nd</sup> largest industry. The Town of Edisto Beach is the only coastal municipality located within Colleton County, which is mostly rural in nature. Tourism related businesses on Edisto Beach include retail, accommodations, food and beverage establishments, a marina, and other attractions. The Town has no hotels, but offers short term rentals (transient rentals) through condominiums, timeshares and second home properties which are low-density single-family residences.

The retail industry continues to fluctuate annually, and due to the limited number of commercial properties, business opportunities are limited. The Town of Edisto Beach accounts for more than 48 percent of Colleton County's revenue.

The Tourism industry has contributed revenue to the Town of Edisto Beach through the collection of Hospitality fees and Accommodations taxes.

Resale of homes increased in 2013 and numerous permits for new homes have been received indicating that the real estate market continues to recover. The assessed values of homes continue to be deflated.

## Long Term Financial Planning

Edisto Beach is faced with two major issues that could impact long-term financial planning. Beach Nourishment is scheduled for 2016. Groin lengthening to help stabilize the beach and provide storm protection is incorporated in the project. The estimated cost is \$10,000,000. The Town has a commitment from Colleton County for \$4,000,000 through a proposed Capital Project Sales Tax to be decided in November 2014 by referendum. If the referendum is successful, Colleton County has proposed to reduce the debt millage providing a property tax incentive to residents. If the referendum fails, the debt millage is expected to increase placing the burden for repayment on the taxpayers. Although the Town has been proactively reserving funds for this project, the projected costs will require the use of all available and future tourism funds. This will impact funding of efforts to attract visitors to Edisto Beach.

Funding water and sewer infrastructure is an issue. Funds acquired in the refinance of the revenue bond in 2012 are being used to complete some infrastructure needs such as Point Street water expansion and valve replacement. Two schools of thought remain regarding this issue-construct the project in phases or construct the project in its entirety.

Implementation of the Governmental Standards Accounting Board (GASB) 68 that requires all governmental entities report pension liabilities was delayed and is scheduled for implementation in 2015. Because the Town of Edisto Beach participates in the South Carolina Retirement System, the unfunded liability will be spread between all users and shown as an unfunded liability in 2015.

The rating on Revenue Bonds increased by 3 levels to an AA+ by Standard and Poor's Rating Service (S&P) as reported on June 24, 2014. The upgrade is based on S&P's view of the town's good financial management practices that have aided it in posting consistently strong operating performances and S&P's local GO criteria released Sept. 12, 2013.

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

- Very strong economy with large seasonal population fluctuations;
- Strong management conditions and "good" financial management policies based on S&P's Financial Management Assessment methodology;
- Very strong budgetary flexibility, with available reserves above 100% of general fund expenditures;
- Very strong budgetary performance with a diverse revenue profile;
- Very strong liquidity, providing very strong cash to cover both debt service and expenditures; and
- Strong debt and contingent liabilities profile.

This improvement in bond rating will help if the Town decides to borrow money to implement any new projects.

## **Relevant Financial Policies**

The Town of Edisto Beach adopted a fund balance policy and a debt management policy to strengthen its management position with Standard and Poor's.

The Finance Committee meets annually or as needed to discuss financial issues.

The Town transfers most of its risk exposure related to tort, auto liability and property damage through insurance contracts with the South Carolina Municipal Insurance and Risk Financing Fund. Employee benefits such as worker's compensation and medical coverage are provided through contracts with the South Carolina Municipal Insurance Trust. Unemployment coverage is through the South Carolina Employment Security Commission. The Town does not offer any post-retirement employee benefits. The Town purchases lost revenue insurance to ensure funds are available if revenue streams are interrupted.

## **Major Initiatives-Year in Review**

The Town of Edisto Beach purchased the Bay Creek Park (fka Bell Buoy) property in 2007. Designs were finalized and construction completed. Funding was acquired through a bond referendum for capital improvements of the property enhanced with a \$100,000 loan/grant through the Department of Environmental and Health Control (DHEC) Brownfields Program.

The sewer connection was completed in 2013 and construction of restrooms was completed in 2014. Funding has been allocated for design and permitting of a stage and electrical upgrades. Market days were extended to include Wednesdays and Thursdays.

Legal fees, resulting from pending legal claims against the Town, can and have had financial impacts as was the case in the Jungle Shores LLC v Town of Edisto Beach regarding zoning issues. Cases filed against the Town that do not seek monetary compensation are not covered by the Town's liability carrier.

During the past year in review-



## ***Policy Actions***

- ✓ Corrected Scrivener's errors on Zoning map
- ✓ Amended Ordinance to adopt latest version of the International Fire Code
- ✓ Adopted ordinance to suspend section of the code of ordinances with regard to the current water and sewer bill due from the Plantation Grille to allow for a repayment agreement
- ✓ Adopted ordinances to increase water and garbage rates by 5%
- ✓ Partnered with Ocean Ridge for security which funded 50% of a police officer position on Edisto Beach
- ✓ Adopted ordinance to add definition of "Retail Business Establishment" and amend section to read "any Retail Business Establishment"
- ✓ Adopted law enforcement agreement with Colleton County
- ✓ Adopted Capital Improvement Plan for the Construction Fund and water and sewer Renewal and Replacement
- ✓ Extended sunset provision for mobile vending and provided an allowance for a vendor to run two vehicles if permits are available
- ✓ Adopted Fiscal Year 2014-15 budget ordinance
- ✓ Passed resolution imploring members of Congress to delay implementation of Biggert-Waters Flood Insurance Reform Act
- ✓ Requested Colleton County dedicate funds for future beach nourishment
- ✓ Continued rapport with Colleton County Council by attending and participating in Colleton County Council Meetings and functions
- ✓ Participated in numerous legislative functions to discuss Edisto issues with Legislators
- ✓ Conducted Goal setting and Council retreat and adopted FY2014-15 Goals and Action Plan
- ✓ Implemented litter removal on Highway 174 and acquired matching funds from stakeholders
- ✓ Adopted ordinance revising irrigation days and times
- ✓ Passed resolution proclaiming October 6 – 12, 2013 as Fire Prevention Week
- ✓ Passed proclamation naming November 2013 as "Pancreatic Cancer Awareness Month"
- ✓ Passed proclamation naming May 2014 as Building Safety Month
- ✓ Passed proclamation naming May 2014 as Lupus Awareness Month
- ✓ Passed resolution certifying the 2014 Jury Box is ready for use
- ✓ Passed resolution that the Town of Edisto Beach submit the project of Beach Renourishment to the Colleton County Capital Project Sales Tax Commission for funding
- ✓ Passed resolution supporting proposed Myrtle Street Drainage Project
- ✓ Passed resolution for immediate suspension of the DHEC water withdrawal relating to Walther Farms
- ✓ Passed resolution opposing seismic air gun testing in the Atlantic ocean
- ✓ Passed resolution authorizing establishment of Marine Response Team
- ✓ Assigned Councilperson to liaise with Chamber

## ***Town Service Focus***

- ✓ Moved community channel to Channel 195
- ✓ Implemented Rapid Marine Response
- ✓ Implemented Police Bicycle Patrol
- ✓ Purchased insurance for lost revenues
- ✓ Participated in the Great American Shakeout (earthquake training)
- ✓ Conducted Hurricane preparedness Presentation to the public
- ✓ Conducted webinar with National Flood Insurance Program coordinator and Wind/Hail representative for the public
- ✓ Issued a Request For Proposals for the 2016 Beach Nourishment and awarded contract to Coastal Science and Engineering
- ✓ Participated in a Request For Proposals process with Colleton County for emergency debris removal and awarded contract to Ash Britt
- ✓ Conducted presentation to capital projects sales tax board for the beach nourishment project
- ✓ Attended Civil Works Board review in Washington, DC for the Town of Edisto Beach Storm Reduction project
- ✓ Evaluated several options for liability insurance coverage
- ✓ Met with Standard and Poor's to re-evaluate Town using new bond evaluation criteria and the rating was increased by three levels from an A+ to an AA+
- ✓ Met with bond attorneys to determine best course of action to proceed if additional funds are required for upcoming major projects
- ✓ Conducted two budget work sessions
- ✓ Implemented a Debt Management Policy
- ✓ Implemented a Fund Balance Policy
- ✓ Initiated document scanning of permanent documents using Laserfiche and linked them to the website for public viewing

### ***Infrastructure and Facilities Focus***

- ✓ Permitted Jungle Shores Drive water line extension
- ✓ Placed rock in low spots at convenience station
- ✓ Worked with Republic to have new signage placed at convenience station and containers painted
- ✓ Municipal Complex beautification
- ✓ Jetted and televised portion of the storm sewer system
- ✓ Vinyl sided the Town's apartment
- ✓ Worked with DOT on the resurfacing of Palmetto Boulevard
- ✓ Worked with DOT on the replacement of sidewalks
- ✓ Worked with DOT to include resurfacing of additional state roads on Edisto Beach
- ✓ Applied for funding the Colleton Transportation Commission to pave Myrtle Street extension
- ✓ Worked with DOT on drainage project on Myrtle Street
- ✓ Verizon added 4G antennae on water tower
- ✓ Revised how we issue utility bills to save money
- ✓ Replaced 4 inch main on Docksite Road

### ***Strategic Plan and Development Focus***

- ✓ Revised Audit Management Discussion and Analysis to meet GASB compliance
- ✓ Revised and updated Beachfront Management Plan to mirror Army Corps of Engineers on Feasibility Study
- ✓ Obtained Building department certification

### ***Governance Focus***

- ✓ Department Heads represented the Town by participating on numerous Boards and committees of professional associations
- ✓ Participated in discussions with the Greater New Orleans, Inc. regarding Biggert Waters Legislation
- ✓ Implemented cross-training of staff to improve ISO rating
- ✓ Produced employee benefits brochures

## ***Health/Safety/Welfare Focus***

- ✓ Worked with Colleton County to provide additional medical ambulance on Edisto Beach during tourist season
- ✓ Installed cameras as a police department force multiplier
- ✓ Updated Hurricane plan and notification list
- ✓ Updated the emergency operations plan
- ✓ Received the South Carolina Municipal Insurance and Risk Financing Fund's Division I (1 to 50 employees) Risk Management Award winner for 2014
- ✓ Reviewed the State Hurricane, Emergency Operations Plan and other emergency related plans to ensure compatibility with Town's plan
- ✓ Renewed Intergovernmental agreements for fire and police
- ✓ Participated in the Risk Management Institute
- ✓ Completed the Town's fitness facility and are reviewing incentives to promote staff fitness
- ✓ Certified a firefighter as Fire Inspector I
- ✓ Sent employees for additional certifications in water and wastewater
- ✓ Provided CPR and AED training to staff and community
- ✓ Trained 20 volunteers/staff as certified emergency medical responders
- ✓ Participated in agility recovery, a web based system that enables Town to obtain needed equipment and maintain data during an emergency

## ***Parks & Recreation Focus***

- ✓ Budgeted to promote the Market
- ✓ Organized 4th Annual Trick or Treat at the creek
- ✓ Acquired funding to upgrade electric and design stages at Bay Creek park
- ✓ Completed construction of Bay Creek Park Restrooms
- ✓ Edged bike paths in preparation for 3rd annual 5K run
- ✓ Edged and herbicided all sidewalks
- ✓ Participated in Beach Sweep
- ✓ Modified Bay Creek Park fees

## **Major Initiatives-Future**

In February 2014, Council held its 5th annual planning retreat to establish goals and objectives to provide guidance to administration for the upcoming year.

Six major goals were established:

1. Beach management and preservation
2. Water Quality/Quantity and Sewer
3. Flood Insurance/Biggert Waters Legislation
4. Staff Priorities
5. Beautification
6. Legislative Involvement

Funding continues to be provided to repair and maintain failing infrastructure needs such as lift stations and valves which is ongoing. This funding comes primarily from user fees designated for renewal and replacement.

Water quality and water quantity problems have yet to be addressed, but progress is being made. Tentatively, the Progressive Design Build Request should be issued by January 1, 2015.

Beach nourishment for 2016 is being permitted and until the project is bid, the construction costs are estimated. Lobbying efforts need to be increased to see if the Town can garner additional funds from either the state or federal government.

The Biggert Waters Act continues to have financial impacts on residents of Edisto Beach and although full implementation has been delayed, this legislation needs to be addressed. Lobbying efforts need to continue to ensure Edisto Beach residents are protected. The Town needs to be vigilant and appeal any changes to future flood map revisions.

The Town relies on its citizens, committees and volunteers to improve, maintain and promote the Town. Thank you for the opportunity to work for the Town of Edisto Beach and its citizens in preserving Edisto.

Respectfully,

*Iris Hill*

Iris Hill  
Town Administrator



**K. EVE McCOY, CPA, LLC**  
1518 Lady Street  
Columbia, South Carolina 29201  
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, 2014, 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, 2014, 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 and the schedule of revenues, expenditures and changes in fund balance – budget and actual for the General Fund on page 48 be presented to supplement the financial statements. Such information, although not a part of the 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*

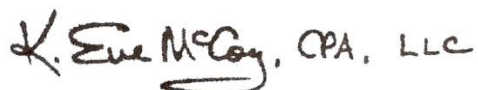
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Edisto Beach's financial statements. The accompanying letter of transmittal and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 fund financial statements and schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, I have also issued my report dated September 5, 2014, 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.



September 5, 2014



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

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, 2014. 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 \$18,960,745. Of this amount, approximately \$14,849,306 and \$4,111,439 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) were approximately \$3,630,997 for its governmental activities and approximately \$2,965,666 for its business-type activities.

The Town's total net position increased over last year's net position by \$199,906, as the total revenues of approximately \$4,854,176 exceeded total expenses of approximately \$4,654,270.

The government's total net position decreased by \$48,118 for governmental activities and the net position for the business-type activities increased by approximately \$248,024.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$6,200,818, an increase of approximately \$372,375, over the prior year's fund balance. Approximately 53% of this total amount, or approximately \$3,669,901, 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 \$2,945,583, or 84% of the total General Fund fund balance for the year ended June 30, 2014.

The Town's bond rating was re-evaluated in 2014 using the new Standard and Poor's criteria and was increased by three levels to a very-strong AA+.

The following tables provide a summary of the Town's changes in net position for the year ended June 30, 2014:

Total net position	\$ 18,960,745
Increase in net position	\$ 199,906
Restricted net position	\$ 2,659,484
Unrestricted net position	\$ 6,596,663
Decrease in total debt	\$ (88,752)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

**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, 2014

**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 three major governmental funds: (1) General Fund, (2) Local Accommodations Tax Special Revenue Fund, and (3) Hospitality Tax Special Revenue 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, 2014

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**

At the close of the most recent fiscal year, the Town's assets exceeded liabilities by \$18,960,745.

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 \$18,960,745. This is a \$199,906 increase over last year's net position of \$18,760,839. 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, 2014

**SUMMARY OF NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>		
Current and other assets	\$ 6,399,558	\$ 6,017,571	\$ 3,437,263	\$ 3,092,131	\$ 9,836,821	\$ 9,109,702	\$ 727,119	7.98%
Capital assets	<u>11,027,392</u>	<u>11,502,282</u>	<u>2,607,206</u>	<u>2,718,019</u>	<u>13,634,598</u>	<u>14,220,301</u>	<u>(585,703)</u>	-4.12%
<b>Total Assets</b>	<b><u>\$ 17,426,950</u></b>	<b><u>\$ 17,519,853</u></b>	<b><u>\$ 6,044,469</u></b>	<b><u>\$ 5,810,150</u></b>	<b><u>\$ 23,471,419</u></b>	<b><u>\$ 23,330,003</u></b>	<b><u>\$ 141,416</u></b>	<b>0.61%</b>
Deferred outflows of resources	\$ -	\$ -	<u>95,207</u>	<u>101,554</u>	<u>95,207</u>	<u>101,554</u>	<u>(6,347)</u>	-6.25%
Long-term liabilities	\$ 2,285,689	\$ 2,351,280	\$ 1,555,000	\$ 1,590,000	\$ 3,840,689	\$ 3,941,280	\$ (100,591)	-2.55%
Other liabilities	<u>291,955</u>	<u>271,149</u>	<u>473,237</u>	<u>458,289</u>	<u>765,192</u>	<u>729,438</u>	<u>35,754</u>	4.90%
<b>Total Liabilities</b>	<b><u>\$ 2,577,644</u></b>	<b><u>\$ 2,622,429</u></b>	<b><u>\$ 2,028,237</u></b>	<b><u>\$ 2,048,289</u></b>	<b><u>\$ 4,605,881</u></b>	<b><u>\$ 4,670,718</u></b>	<b><u>\$ (64,837)</u></b>	<b>-1.39%</b>
<b><u>Net Position</u></b>								
Invested in capital assets, net of related debt	\$ 8,687,392	\$ 9,102,282	\$ 1,017,206	\$ 1,093,019	\$ 9,704,598	\$ 10,195,301	\$ (490,703)	-4.81%
Restricted	2,530,917	2,357,622	128,567	158,567	2,659,484	2,516,189	143,295	5.69%
Unrestricted	<u>3,630,997</u>	<u>3,437,520</u>	<u>2,965,666</u>	<u>2,611,829</u>	<u>6,596,663</u>	<u>6,049,349</u>	<u>547,314</u>	9.05%
<b>Total Net Position</b>	<b><u>\$ 14,849,306</u></b>	<b><u>\$ 14,897,424</u></b>	<b><u>\$ 4,111,439</u></b>	<b><u>\$ 3,863,415</u></b>	<b><u>\$ 18,960,745</u></b>	<b><u>\$ 18,760,839</u></b>	<b><u>\$ 199,906</u></b>	<b>1.07%</b>

**Net Position**

Net position of the Town's governmental activities decreased by 0.32% to \$14,849,306. 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 5.6% to \$3,630,997.

Net position of the Town's business-type activities increased 6.4% to \$4,111,439. 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:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

**SUMMARY OF CHANGES IN NET POSITION**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>		<u>Amount</u>	<u>%</u>
	<u>Activities</u>		<u>Activities</u>					
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>		
<b><u>Revenues</u></b>								
<b>Program revenues</b>								
Charges for services	\$ 403,713	\$ 414,318	\$ 1,394,240	\$ 1,401,371	\$ 1,797,953	\$ 1,815,689	\$ (17,736)	-0.98%
Operating grants & contributions								
Capital grants & contributions		88,794		238		89,032	(89,032)	-100.00%
<b>General revenues</b>								
Property taxes	922,886	916,989			922,886	916,989	5,897	0.64%
Local option sales taxes	150,134	150,134			150,134	150,134		0.00%
Accommodations taxes	629,910	531,259			629,910	531,259	98,651	18.57%
Hospitality taxes	166,607	162,478			166,607	162,478	4,129	2.54%
Business taxes	684,673	662,741			684,673	662,741	21,932	3.31%
<b>Intergovernmental revenues</b>								
Other	308,562	294,918			308,562	294,918	13,644	4.63%
	196,135	166,317	(2,684)	18,919	193,451	185,236	8,215	4.43%
<b>Total Revenues</b>	<b>\$ 3,462,620</b>	<b>\$ 3,387,948</b>	<b>\$ 1,391,556</b>	<b>\$ 1,420,528</b>	<b>\$ 4,854,176</b>	<b>\$ 4,808,476</b>	<b>\$ 45,700</b>	<b>0.95%</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

**SUMMARY OF CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Totals		Amount Change	% Change
	2014	2013	2014	2013	2014	2013		
<b>Expenses</b>								
<b>General</b>								
government	\$ 1,160,189	\$ 1,103,039	\$ -	\$ -	\$ 1,160,189	\$ 1,103,039	\$ 57,150	5.18%
Public safety	1,120,310	1,085,170			1,120,310	1,085,170	35,140	3.24%
Public works	220,772	206,180			220,772	206,180	14,592	7.08%
Recreation & culture	200,858	221,277			200,858	221,277	(20,419)	-9.23%
<b>Beach</b>								
preservation	693,169	845,552			693,169	845,552	(152,383)	-18.02%
Interest on long-term debt	115,440	117,859			115,440	117,859	(2,419)	-2.05%
Water & sewer			1,143,532	1,347,183	1,143,532	1,347,183	(203,651)	-15.12%
Newsletter	-	-	-	404	-	404	(404)	-100.00%
<b>Total Expenses</b>	<b>\$ 3,510,738</b>	<b>\$ 3,579,077</b>	<b>\$ 1,143,532</b>	<b>\$ 1,347,587</b>	<b>\$ 4,654,270</b>	<b>\$ 4,926,664</b>	<b>\$ (272,394)</b>	<b>-5.53%</b>
<b>Change in Net Position</b>	<b>\$ (48,118)</b>	<b>\$ (191,129)</b>	<b>\$ 248,024</b>	<b>\$ 72,941</b>	<b>\$ 199,906</b>	<b>\$ (118,188)</b>	<b>\$ 318,094</b>	<b>-269.14%</b>
<b>Beginning Net Position</b>	<b>14,897,424</b>	<b>15,088,553</b>	<b>3,863,415</b>	<b>3,790,474</b>	<b>18,760,839</b>	<b>18,879,027</b>	<b>(118,188)</b>	<b>-0.63%</b>
<b>Ending Net Position</b>	<b>\$ 14,849,306</b>	<b>\$ 14,897,424</b>	<b>\$ 4,111,439</b>	<b>\$ 3,863,415</b>	<b>\$ 18,960,745</b>	<b>\$ 18,760,839</b>	<b>\$ 199,906</b>	<b>1.07%</b>

**CHANGES IN NET POSITION**

The Town's total revenues increased by 1.0% to \$4,854,176. Approximately 52% of the Town's revenue comes from some type of tax. Another 37% comes from fees charged for services, and the balance is from intergovernmental revenues, grants and contributions and miscellaneous sources.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

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

**Governmental Activities**

Revenues for the Town's governmental activities increased by \$74,672 to \$3,462,620 due to increases in property taxes, hospitality taxes, accommodations taxes and business taxes.

Total expenses decreased by \$68,339 to \$3,510,738. These decreases were attributed to the completion of the Army Corps of Engineers Feasibility Study and associated costs.

**Business-Type Activities**

Revenues for charges for services remained fairly stable.

Total expenses for the Town's business-type activities decreased by \$204,055 to \$1,143,532. This decrease was mainly due to a decrease in sludge removal expenses and sewer legal fees.

**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 \$6,200,818. Of this year-end total, approximately \$2,945,583 is unassigned indicating availability for continuing Town service requirements.

Restricted, committed and assigned fund balances include: \$1,801,207 of Local Accommodations funds restricted to beach preservation projects, \$98,999 committed to the development of the Bay Creek Park fka Bell property acquired in 2007, \$673,217 (Hospitality and Accommodations Taxes) restricted to the promotion of recreation and tourism, \$56,493 (Alcohol Permitting and I & I) restricted to other projects and \$48,197 assigned to the Volunteer Fire Department.

The total ending fund balances of governmental funds show an increase of \$372,375 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 \$137,556. Of the total fund balance of \$3,522,705, \$577,122 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.

**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.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

**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 \$254,932. The increase in net position is mainly due to the decrease in expenses as explained under the Business-Type Activities on page 11.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Comparing the fiscal year 2014 original budget to the final budget shows a net change of \$0. Budgeted revenues were increased by \$20,060 which included a transfer of \$6,908 for the newsletter and correspondingly, budgeted expenditures increased by \$20,060 as the result of various increases and decreases in anticipated revenue and expenditures.

**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, 2014, was \$11,027,392 and \$2,607,206, 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<b>Non-Depreciable Assets:</b>							
Land and other non-depreciable assets	\$ 7,020,943	\$ 7,020,943	\$ 285,955	\$ 465,862	\$ 7,306,898	\$ 7,486,805	-2.40%
<b>Depreciable Assets:</b>							
Buildings	349,836	368,238	33,068	37,220	382,904	405,458	-5.56%
Improvements other than buildings	416,702	485,942			416,702	485,942	-14.25%
Infrastructure	2,325,518	2,972,954	2,105,357	1,921,275	4,430,875	4,894,229	-9.47%
Machinery and equipment	914,393	654,205	182,826	293,662	1,097,219	947,867	15.76%
<b>Total</b>	<b><u>\$ 11,027,392</u></b>	<b><u>\$ 11,502,282</u></b>	<b><u>\$ 2,607,206</u></b>	<b><u>\$ 2,718,019</u></b>	<b><u>\$ 13,634,598</u></b>	<b><u>\$ 14,220,301</u></b>	<b>-4.12%</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

**Long-Term Debt**

At the end of the fiscal year, the Town had bonded debt outstanding of \$1,590,000 supported by pledged revenues generated primarily by the business-type activities of the Town (revenue bonds) and \$2,340,000 supported by general revenues generated by the governmental activities of the Town (general obligation bonds). Total long-term debt is \$3,965,563 of which \$35,563 is for compensated absences. Long-term debt decreased by \$88,752.

**Bond Ratings**

General Obligation Bond ratings are disclosed on the face of the final official statements for the bonds. The rating on Revenue Bonds increased by three levels to an AA+ by Standard and Poor's Rating Service (S&P) as reported on June 24, 2014. The upgrade is based on S&P's view of the town's good financial management practices that have aided it in posting consistently strong operating performances and S&P's local GO criteria released September 12, 2013.

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

- Very strong economy with large seasonal population fluctuations;
- Strong management conditions and "good" financial management policies based on S&P's Financial Management Assessment methodology;
- Very strong budgetary flexibility, with available reserves above 100% of general fund expenditures;
- Very strong budgetary performance with a diverse revenue profile;
- Very strong liquidity, providing very strong cash to cover both debt service and expenditures; and
- Strong debt and contingent liabilities profile.

See Note 4 for additional information about changes in bonds during the fiscal year.

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

The 2010 Census for the Town of Edisto Beach indicated a population decrease from 615 to 414 which continues to have long term impacts on Edisto Beach as the official population is used for all state subsidies for the Beach.

The Town's water and sewer revenue bonds require rate increases to operate and maintain the Town's system as needed. A water and sewer rate study was completed in 2011 which provided guidance on future rate increases. Water rates were increased in April 2014 by 5%. Sewer rates were not increased at that time as the Sewer Renewal and Recovery funds were adequate to provide capital upgrades. Water supply and demand continue to generate public discussion and the Council continues to review costs for reverse osmosis and capacity upgrades.

Beach Nourishment is scheduled for 2016 and all present and future tourism taxes are needed to fund the cost of the project estimated at \$10,000,000. Colleton County has pledged \$4,000,000 towards this project and has included this project as the highest ranked priority on the Capital Projects Sales Tax referendum to be decided in November 2014.

Because tourism taxes will be needed for nourishment, the Town is evaluating alternate funding sources to help promote tourism and Chamber events for the next two years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

Real estate sales are strong, but property values continue to be deflated.

The millage rate was increased from 19.53 to 20.23 for fiscal year 2015.

Rates are analyzed and adjusted annually as needed.

**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, 2014

Page 1 of 2

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents	\$ 6,306,207	\$ 3,139,560	\$ 9,445,767
Receivables			
Taxes	25,035		25,035
Accounts	41,557	155,109	196,666
Other	26,759		26,759
Inventory	-	14,027	14,027
Total Current Assets	<u>\$ 6,399,558</u>	<u>\$ 3,308,696</u>	<u>\$ 9,708,254</u>
<b><u>RESTRICTED ASSETS</u></b>			
Investments	\$ -	\$ 128,567	\$ 128,567
Total Restricted Assets	<u>\$ -</u>	<u>\$ 128,567</u>	<u>\$ 128,567</u>
<b><u>NONCURRENT ASSETS</u></b>			
Capital assets			
Land and other non-depreciable assets	\$ 7,020,943	\$ 285,955	\$ 7,306,898
Capital assets, net of depreciation	<u>4,006,449</u>	<u>2,321,251</u>	<u>6,327,700</u>
Total Noncurrent Assets	<u>\$ 11,027,392</u>	<u>\$ 2,607,206</u>	<u>\$ 13,634,598</u>
Total Assets	<u>\$ 17,426,950</u>	<u>\$ 6,044,469</u>	<u>\$ 23,471,419</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred amounts from refunding of debt	\$ -	\$ 95,207	\$ 95,207

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, 2014

Page 2 of 2

<u>LIABILITIES</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b><u>CURRENT LIABILITIES</u></b>			
Accounts payable	\$ 9,884	\$ 374	\$ 10,258
Interest payable	28,376		28,376
Unearned revenue	163,821	437,863	601,684
Compensated absences	29,874		29,874
Bonds, notes and loans payable	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total Current Liabilities	<u>\$ 291,955</u>	<u>\$ 438,237</u>	<u>\$ 730,192</u>
<b><u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u></b>			
Bonds, notes and loans payable	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>
Total Current Liabilities (Payable From Restricted Assets)	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>
<b><u>NONCURRENT LIABILITIES</u></b>			
Compensated absences	\$ 5,689	\$ -	\$ 5,689
Bonds, notes and loans payable	<u>2,280,000</u>	<u>1,555,000</u>	<u>3,835,000</u>
Total Noncurrent Liabilities	<u>\$ 2,285,689</u>	<u>\$ 1,555,000</u>	<u>\$ 3,840,689</u>
Total Liabilities	<u>\$ 2,577,644</u>	<u>\$ 2,028,237</u>	<u>\$ 4,605,881</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	\$ 8,687,392	\$ 1,017,206	\$ 9,704,598
Restricted	2,530,917	128,567	2,659,484
Unrestricted	<u>3,630,997</u>	<u>2,965,666</u>	<u>6,596,663</u>
Total Net Position	<u>\$ 14,849,306</u>	<u>\$ 4,111,439</u>	<u>\$ 18,960,745</u>

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

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

**STATEMENT OF ACTIVITIES**  
For The Fiscal Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>Governmental Activities</b>							
General government	\$ 1,160,189	\$ 381,878	\$ -	\$ -	\$ (778,311)	\$ -	\$ (778,311)
Public safety	1,120,310	21,835			(1,098,475)		(1,098,475)
Public works	220,772				(220,772)		(220,772)
Recreation and culture	200,858				(200,858)		(200,858)
Beach preservation	693,169				(693,169)		(693,169)
Interest	115,440				(115,440)		(115,440)
<b>Total Governmental Activities</b>	<b>\$ 3,510,738</b>	<b>\$ 403,713</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,107,025)</b>	<b>\$ -</b>	<b>\$ (3,107,025)</b>
<b>Business Activities</b>							
Water and sewer	\$ 1,143,532	\$ 1,394,240	\$ -	\$ -	\$ -	\$ 250,708	\$ 250,708
Newsletter	-	-	-	-	-	-	-
<b>Total Business-Type Activities</b>	<b>\$ 1,143,532</b>	<b>\$ 1,394,240</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 250,708</b>	<b>\$ 250,708</b>
<b>Total Government</b>	<b>\$ 4,654,270</b>	<b>\$ 1,797,953</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,107,025)</b>	<b>\$ 250,708</b>	<b>\$ (2,856,317)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
					\$ 922,886	\$ -	\$ 922,886
Property taxes					150,134		150,134
Local option sales taxes					629,910		629,910
Accommodations taxes					166,607		166,607
Hospitality taxes					684,673		684,673
Business taxes					308,562		308,562
Intergovernmental revenues					11,086	4,224	15,310
Investment earnings					37,238		37,238
Rental revenues					140,903		140,903
Miscellaneous revenues							
<b>Total General Revenues</b>					<b>\$ 3,051,999</b>	<b>\$ 4,224</b>	<b>\$ 3,056,223</b>
<b>Transfers</b>					<b>\$ 6,908</b>	<b>\$ (6,908)</b>	<b>\$ -</b>
<b>Total General Revenues and Transfers</b>					<b>\$ 3,058,907</b>	<b>\$ (2,684)</b>	<b>\$ 3,056,223</b>
<b>CHANGE IN NET POSITION</b>					\$ (48,118)	\$ 248,024	\$ 199,906
<b>NET POSITION - BEGINNING</b>					14,897,424	3,863,415	18,760,839
<b>NET POSITION - ENDING</b>					<b>\$ 14,849,306</b>	<b>\$ 4,111,439</b>	<b>\$ 18,960,745</b>

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

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2014

		LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUNDS</u>	<u>TOTAL</u>
Cash and cash equivalents	\$ 3,628,094	\$ 1,801,207	\$ 448,183	\$ 428,723	\$ 6,306,207
Receivables					
Taxes	25,035				25,035
Accounts	41,557				41,557
Other	<u>26,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,759</u>
Total Assets	<u>\$ 3,721,445</u>	<u>\$ 1,801,207</u>	<u>\$ 448,183</u>	<u>\$ 428,723</u>	<u>\$ 6,399,558</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts payable	\$ 9,884	\$ -	\$ -	\$ -	\$ 9,884
Unearned revenue	<u>163,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,821</u>
Total Liabilities	<u>\$ 173,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,705</u>
 <u>Deferred Inflows of Resources</u>					
Deferred property tax revenue	<u>\$ 25,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,035</u>
 <u>Fund Balances</u>					
Restricted	\$ -	\$ 1,801,207	\$ 448,183	\$ 281,527	\$ 2,530,917
Committed	577,122			98,999	676,121
Assigned				48,197	48,197
Unassigned	<u>2,945,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,945,583</u>
Total Fund Balances	<u>\$ 3,522,705</u>	<u>\$ 1,801,207</u>	<u>\$ 448,183</u>	<u>\$ 428,723</u>	<u>\$ 6,200,818</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,721,445</u>	<u>\$ 1,801,207</u>	<u>\$ 448,183</u>	<u>\$ 428,723</u>	<u>\$ 6,399,558</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 BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2014

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 6,200,818

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. 11,027,392

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. 25,035

Certain liabilities are not due and payable in the  
current period and therefore are not reported in the  
funds.

Accrued compensated absences	\$ (35,563)	
Accrued interest	(28,376)	
Bonds payable	<u>(2,340,000)</u>	<u>(2,403,939)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 14,849,306

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, 2014

Page 1 of 2

	GENERAL FUND	LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<b><u>REVENUES</u></b>					
General property taxes	\$ 922,886	\$ -	\$ -	\$ -	\$ 922,886
Local option sales taxes	150,134				150,134
Accommodations taxes	41,925	367,960		220,025	629,910
Hospitality taxes			166,607		166,607
Licenses and permits	684,673				684,673
Charges for services	381,878				381,878
Fines and forfeitures	21,835				21,835
Intergovernmental revenues	258,528			50,034	308,562
Interest revenues	6,115	3,813	637	521	11,086
Rental revenues	37,238				37,238
Miscellaneous revenues	78,891	-	9,875	52,137	140,903
<b>Total Revenues</b>	<b>\$ 2,584,103</b>	<b>\$ 371,773</b>	<b>\$ 177,119</b>	<b>\$ 322,717</b>	<b>\$ 3,455,712</b>
<b><u>EXPENDITURES</u></b>					
<b>Current</b>					
General government	\$ 1,116,319	\$ -	\$ -	\$ -	\$ 1,116,319
Public safety	910,090			83,297	993,387
Public works	194,963				194,963
Recreation and culture			10,035	120,770	130,805
Beach preservation		61,001			61,001
Debt service					
Principal	60,000				60,000
Interest	116,085				116,085
Capital outlay	264,302	-	-	153,383	417,685
<b>Total Expenditures</b>	<b>\$ 2,661,759</b>	<b>\$ 61,001</b>	<b>\$ 10,035</b>	<b>\$ 357,450</b>	<b>\$ 3,090,245</b>

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2014

Page 2 of 2

	<u>GENERAL FUND</u>	<u>LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND</u>	<u>HOSPITALITY TAX SPECIAL REVENUE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	\$ (77,656)	\$ 310,772	\$ 167,084	\$ (34,733)	\$ 365,467
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	215,212			177,000	392,212
Transfers out	-	(50,000)	(108,304)	(227,000)	(385,304)
Total Other Financing Sources (Uses)	<u>\$ 215,212</u>	<u>\$ (50,000)</u>	<u>\$ (108,304)</u>	<u>\$ (50,000)</u>	<u>\$ 6,908</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	\$ 137,556	\$ 260,772	\$ 58,780	\$ (84,733)	\$ 372,375
<b><u>FUND BALANCES - BEGINNING</u></b>	<u>3,385,149</u>	<u>1,540,435</u>	<u>389,403</u>	<u>513,456</u>	<u>5,828,443</u>
<b><u>FUND BALANCES - ENDING</u></b>	<u>\$ 3,522,705</u>	<u>\$ 1,801,207</u>	<u>\$ 448,183</u>	<u>\$ 428,723</u>	<u>\$ 6,200,818</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, 2014

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL</b>	<b>\$ 372,375</b>
 Amounts reported for Governmental Activities in the Statement of Activities are different because:	
 Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.	
	417,685
 Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	
	(892,575)
 Repayment of debt decreases long-term liabilities in the Statement of Activities.	
	60,000
 Increase in accrued compensated absences is not reported as expenditures in governmental funds but as increase in liabilities in the Statement of Net Position.	
	(6,248)
 Decrease in accrued interest payable is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	
	<u>645</u>
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (48,118)</u></b>

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

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2014

Page 1 of 2

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>ENTERPRISE FUNDS</u>		
<u>ASSETS</u>	<u>WATER AND SEWER</u>	<u>NEWSLETTER</u>	<u>TOTAL</u>
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents	\$ 3,139,560	\$ -	\$ 3,139,560
Accounts receivable	155,109		155,109
Inventory	<u>14,027</u>	<u>-</u>	<u>14,027</u>
Total Current Assets	<u>\$ 3,308,696</u>	<u>\$ -</u>	<u>\$ 3,308,696</u>
<b><u>RESTRICTED ASSETS</u></b>			
Investments	<u>\$ 128,567</u>	<u>\$ -</u>	<u>\$ 128,567</u>
Total Restricted Assets	<u>\$ 128,567</u>	<u>\$ -</u>	<u>\$ 128,567</u>
<b><u>NONCURRENT ASSETS</u></b>			
Capital assets			
Capital assets not depreciated	\$ 285,955	\$ -	\$ 285,955
Capital assets depreciated, net	<u>2,321,251</u>	<u>-</u>	<u>2,321,251</u>
Total Noncurrent Assets	<u>\$ 2,607,206</u>	<u>\$ -</u>	<u>\$ 2,607,206</u>
Total Assets	<u>\$ 6,044,469</u>	<u>\$ -</u>	<u>\$ 6,044,469</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred amounts from refunding of debt	<u>\$ 95,207</u>	<u>\$ -</u>	<u>\$ 95,207</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, 2014

Page 2 of 2

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>ENTERPRISE FUNDS</u>		
<u>LIABILITIES</u>	<u>WATER AND SEWER</u>	<u>NEWSLETTER</u>	<u>TOTAL</u>
<u>CURRENT LIABILITIES</u>			
Accounts payable	\$ 374	\$ -	\$ 374
Unearned revenue	<u>437,863</u>	<u>-</u>	<u>437,863</u>
Total Current Liabilities	<u>\$ 438,237</u>	<u>\$ -</u>	<u>\$ 438,237</u>
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>			
Bonds payable	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>
Total Current Liabilities (Payable From Restricted Assets)	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>
<u>NONCURRENT LIABILITIES</u>			
Bonds and loans payable	<u>\$ 1,555,000</u>	<u>\$ -</u>	<u>\$ 1,555,000</u>
Total Noncurrent Liabilities	<u>\$ 1,555,000</u>	<u>\$ -</u>	<u>\$ 1,555,000</u>
Total Liabilities	<u>\$ 2,028,237</u>	<u>\$ -</u>	<u>\$ 2,028,237</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 1,017,206	\$ -	\$ 1,017,206
Restricted for debt service	128,567	-	128,567
Unrestricted	<u>2,965,666</u>	<u>-</u>	<u>2,965,666</u>
Total Net Position	<u>\$ 4,111,439</u>	<u>\$ -</u>	<u>\$ 4,111,439</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, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**

For The Fiscal Year Ended June 30, 2014

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>		
	<b><u>ENTERPRISE FUNDS</u></b>		
	<b><u>WATER AND SEWER</u></b>	<b><u>NEWSLETTER</u></b>	<b><u>TOTAL</u></b>
<b><u>OPERATING REVENUES</u></b>			
Charges for services	\$ 1,394,240	\$ -	\$ 1,394,240
Total Operating Revenues	<u>\$ 1,394,240</u>	<u>\$ -</u>	<u>\$ 1,394,240</u>
<b><u>OPERATING EXPENSES</u></b>			
Personal services	\$ 466,780	\$ -	\$ 466,780
Operating expenses	381,580		381,580
Depreciation	<u>235,031</u>	<u>-</u>	<u>235,031</u>
Total Operating Expenses	<u>\$ 1,083,391</u>	<u>\$ -</u>	<u>\$ 1,083,391</u>
Operating Income (Loss)	<u>\$ 310,849</u>	<u>\$ -</u>	<u>\$ 310,849</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Interest income	\$ 4,224	\$ -	\$ 4,224
Interest expense	<u>(60,141)</u>	<u>-</u>	<u>(60,141)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (55,917)</u>	<u>\$ -</u>	<u>\$ (55,917)</u>
<b><u>TRANSFERS</u></b>			
Transfers out	\$ -	\$ (6,908)	\$ (6,908)
Total Transfers	<u>\$ -</u>	<u>\$ (6,908)</u>	<u>\$ (6,908)</u>
<b><u>CHANGE IN NET POSITION</u></b>	<u>\$ 254,932</u>	<u>\$ (6,908)</u>	<u>\$ 248,024</u>
<b><u>TOTAL NET POSITION - BEGINNING</u></b>	<u>3,856,507</u>	<u>6,908</u>	<u>3,863,415</u>
<b><u>TOTAL NET POSITION - ENDING</u></b>	<u>\$ 4,111,439</u>	<u>\$ -</u>	<u>\$ 4,111,439</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, 2014

Page 1 of 2

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>WATER AND SEWER</u>	<u>NEWSLETTER</u>	<u>TOTAL</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Cash received from customers	\$ 1,481,057	\$ -	\$ 1,481,057
Cash paid to suppliers for goods and services	(381,552)		(381,552)
Cash paid to employees	(466,780)	-	(466,780)
Net Cash Provided By Operating Activities	<u>\$ 632,725</u>	<u>\$ -</u>	<u>\$ 632,725</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES</u></b>			
Transfers out	\$ -	\$ (6,908)	\$ (6,908)
Due from other funds	13,860	-	13,860
Net Cash Provided By Operating Activities	<u>\$ 13,860</u>	<u>\$ (6,908)</u>	<u>\$ 6,952</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Interest paid on long-term debt	\$ (53,794)	\$ -	\$ (53,794)
Principal paid on long-term debt	(35,000)		(35,000)
Acquisition and construction of fixed assets	(124,218)	-	(124,218)
Net Cash Flows From Capital And Related Financing Activities	<u>\$ (213,012)</u>	<u>\$ -</u>	<u>\$ (213,012)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest income	\$ 4,224	\$ -	\$ 4,224
Net Cash Flows From Investing Activities	<u>\$ 4,224</u>	<u>\$ -</u>	<u>\$ 4,224</u>
<b><u>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</u></b>	<b>\$ 437,797</b>	<b>\$ (6,908)</b>	<b>\$ 430,889</b>
<b><u>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</u></b>	<b><u>2,830,330</u></b>	<b><u>6,908</u></b>	<b><u>2,837,238</u></b>
<b><u>CASH AND EQUIVALENTS AT END OF YEAR</u></b>	<b><u>\$ 3,268,127</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,268,127</u></b>
<b><u>CLASSIFIED AS:</u></b>			
Current assets	\$ 3,139,560	\$ -	\$ 3,139,560
Restricted assets	128,567	-	128,567
	<u>\$ 3,268,127</u>	<u>\$ -</u>	<u>\$ 3,268,127</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 FUND**  
**For The Fiscal Year Ended June 30, 2014**

Page 2 of 2

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

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>		
	<b><u>ENTERPRISE FUNDS</u></b>		
	<b><u>WATER AND SEWER</u></b>	<b><u>NEWSLETTER</u></b>	<b><u>TOTAL</u></b>
<b><u>OPERATING INCOME</u></b>	\$ 310,849	\$ -	\$ 310,849
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	235,031		235,031
<b><u>(INCREASE) DECREASE IN ASSETS</u></b>			
Accounts receivable	71,631		71,631
Inventory	266		266
<b><u>INCREASE (DECREASE) IN LIABILITIES</u></b>			
Accounts payable	(238)		(238)
Unearned revenue	15,186	-	15,186
 Net Cash Provided (Used) By Operating Activities	 <u>\$ 632,725</u>	 <u>\$ -</u>	 <u>\$ 632,725</u>

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, 2014

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, 2014

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, 2014

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. 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, 2014

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, 2014

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 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, 2014

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Equity (Continued)

3. Capital Assets (Continued)

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

	<u>Life - Years</u>
Buildings	40-50
Machinery and equipment	5-10
Water and sewer system infrastructure	40
Improvements	20
Town infrastructure - sidewalks	50
- beach nourishment	10
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, 2014

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, 2014

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, 2014

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, 2014

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 \$2,500,731 and the corresponding bank balance was \$2,559,921.

**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, 2014, the Town was exposed to custodial risk as follows:

Uninsured and collateral held by pledging bank's bond department not in Town's name \$2,309,921.

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, 2014, the Town's unrestricted investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$5,721,879 and certificates of deposit in the amount of \$1,223,157. 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, 2014, the Town also has investments restricted for payment of its revenue bond obligations. The investments comprise direct obligations of the U. S. government held by the paying agent in the Town's name in the amount of \$128,567.

**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. Since deposits with the SCLGIP are not evidenced by securities that exist in physical or book-entry form, they are not exposed to custodial credit risk.

The \$1,223,157 invested in certificates of deposit is uninsured and collateral held by the pledging bank's bond department not in the Town's name \$1,190,079.

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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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 deposited into the State Treasurer's investment pool are used to purchase: 1) direct obligations of the U. S. government, 2) federal agency securities, 3) repurchase agreements secured by the U. S. government and/or federal agency securities and 4) commercial paper rated A1/P1 (S&P/Moody's highest rating).

**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 its 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.

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.

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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

B. **Receivables, Uncollectible Accounts, and Unearned Revenue (Continued)**

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, 2014

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

C. **Capital Assets**

Capital assets activity for the fiscal year follows:

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>
<b><u>Governmental Activities</u></b>				
<b>Capital assets not depreciated:</b>				
Land	\$ 6,970,944	\$ -	\$ -	\$ 6,970,944
Land improvements	49,999	-	-	49,999
<b>Total Assets Not Depreciated</b>	<b><u>\$ 7,020,943</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,020,943</u></b>
<b>Capital assets depreciated:</b>				
Buildings	\$ 629,478	\$ -	\$ -	\$ 629,478
Improvements other than buildings	742,946	-	-	742,946
Machinery and equipment	2,107,027	417,685	(139,039)	2,385,673
Infrastructure - sidewalks	763,375	-	-	763,375
- beach nourishment	6,321,684	-	-	6,321,684
<b>Total Assets Depreciated</b>	<b><u>\$ 10,564,510</u></b>	<b><u>\$ 417,685</u></b>	<b><u>\$ (139,039)</u></b>	<b><u>\$ 10,843,156</u></b>
<b>Less accumulated depreciation:</b>				
Buildings	\$ 261,240	\$ 18,402	\$ -	\$ 279,642
Improvements other than buildings	257,004	69,240	-	326,244
Machinery and equipment	1,452,822	157,497	(139,039)	1,471,280
Infrastructure	4,112,105	647,436	-	4,759,541
<b>Total Accumulated Depreciation</b>	<b><u>\$ 6,083,171</u></b>	<b><u>\$ 892,575</u></b>	<b><u>\$ (139,039)</u></b>	<b><u>\$ 6,836,707</u></b>
<b>Total Depreciable Capital Assets, Net</b>	<b><u>\$ 4,481,339</u></b>	<b><u>\$ (474,890)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,006,449</u></b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b><u>\$ 11,502,282</u></b>	<b><u>\$ (474,890)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,027,392</u></b>

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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassifications</u>	<u>June 30</u>
<b><u>Business-type Activities</u></b>					
<b>Capital assets not depreciated:</b>					
Land	\$ 280,000	\$ -	\$ -	\$ -	\$ 280,000
Construction in progress	<u>185,862</u>	<u>5,955</u>	<u>-</u>	<u>(185,862)</u>	<u>5,955</u>
<b>Total Assets Not Depreciated</b>	<b><u>\$ 465,862</u></b>	<b><u>\$ 5,955</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (185,862)</u></b>	<b><u>\$ 285,955</u></b>
<b>Capital assets depreciated:</b>					
Buildings	\$ 90,532	\$ -	\$ -	\$ -	\$ 90,532
System infrastructure	4,619,455	118,263	-	185,862	4,923,580
Machinery and equipment	<u>976,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>976,081</u>
<b>Total Assets Depreciated</b>	<b><u>\$ 5,686,068</u></b>	<b><u>\$ 118,263</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 185,862</u></b>	<b><u>\$ 5,990,193</u></b>
<b>Less accumulated depreciation:</b>					
Buildings	\$ 53,312	\$ 4,152	\$ -	\$ -	\$ 57,464
System infrastructure	2,698,180	120,043	-	-	2,818,223
Machinery and equipment	<u>682,419</u>	<u>110,836</u>	<u>-</u>	<u>-</u>	<u>793,255</u>
<b>Total Accumulated Depreciation</b>	<b><u>\$ 3,433,911</u></b>	<b><u>\$ 235,031</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,668,942</u></b>
<b>Total Depreciable Capital Assets, Net</b>	<b><u>\$ 2,252,157</u></b>	<b><u>\$ (116,768)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 185,862</u></b>	<b><u>\$ 2,321,251</u></b>
<b>Total Business-type Activities Capital Assets, Net</b>	<b><u>\$ 2,718,019</u></b>	<b><u>\$ (110,813)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,607,206</u></b>

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

<b><u>Governmental Activities</u></b>	
General government	\$ 41,672
Public safety	123,612
Public works	25,070
Recreation and culture	70,053
Beach preservation	<u>632,168</u>
<b>Total</b>	<b><u>\$ 892,575</u></b>
<b><u>Business-type Activities</u></b>	
Water and sewer	<u>\$ 235,031</u>
<b>Total</b>	<b><u>\$ 235,031</u></b>

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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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, 2014 is required to be held by the Town in perpetuity for the use of the public.

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

D. **Long-Term Debt**

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

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>	<u>Due Within One Year</u>
<b><u>Business-Type Activities</u></b>					
Revenue bonds	\$ 1,625,000	\$ -	\$ 35,000	\$ 1,590,000	\$ 35,000
Total	\$ 1,625,000	\$ -	\$ 35,000	\$ 1,590,000	\$ 35,000
<b><u>Governmental Activities</u></b>					
Compensated absences	\$ 29,315	\$ 6,248	\$ -	\$ 35,563	\$ 29,874
General obligation bonds	2,400,000	-	60,000	2,340,000	60,000
Total	\$ 2,429,315	\$ 6,248	\$ 60,000	\$ 2,375,563	\$ 89,874
Total Long-Term Debt	<u>\$ 4,054,315</u>	<u>\$ 6,248</u>	<u>\$ 95,000</u>	<u>\$ 3,965,563</u>	<u>\$ 124,874</u>

Long-term debt payable at June 30, 2014 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%

**\$ 1,590,000**

Total Revenue Bonds For Business-Type Activities

**\$ 1,590,000**

**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%.

**\$ 2,340,000**

Total General Obligation Bonds For Governmental Activities

**\$ 2,340,000**

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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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, 2014, including interest payments are as follows:

**REVENUE BONDS PAYABLE**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$ 35,000	\$ 53,356	\$ 88,356
2016	35,000	52,919	87,919
2017	40,000	52,450	92,450
2018	40,000	51,780	91,780
2019	40,000	50,940	90,940
2020-2024	205,000	241,264	446,264
2025-2029	240,000	208,495	448,495
2030-2034	285,000	160,631	445,631
2035-2039	345,000	100,119	445,119
2040-2043	325,000	26,701	351,701
	<u>\$ 1,590,000</u>	<u>\$ 998,655</u>	<u>\$ 2,588,655</u>

**GENERAL OBLIGATION BONDS PAYABLE**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$ 60,000	\$ 113,505	\$ 173,505
2016	65,000	110,925	175,925
2017	65,000	108,000	173,000
2018	70,000	105,075	175,075
2019	70,000	101,925	171,925
2020-2024	410,000	456,125	866,125
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>\$ 2,340,000</u>	<u>\$ 1,599,705</u>	<u>\$ 3,939,705</u>

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 \$4,085,500.



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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

4. **Other Information**

A. **Employee Benefit Plans**

The Town participates in the South Carolina Police Officers' Retirement System (SCPORS). The South Carolina Police Officers' Retirement System is a cost-sharing multiple-employer Public Employee Retirement System (PERS). Eligibility for participation in the plan requires that a police officer earn at least \$2,000 and work a minimum of 1,600 hours annually. Employees contributed 7.84% of their gross salaries from July 1, 2013 to June 30, 2014 to the plan, and the Town's contribution was 12.44% of each individual's gross salary for the year; current funding for the plan from the Town was \$68,995. The Town's current year covered payroll for police officers was \$554,621, and the total current payroll for police officers was \$558,378. Employees are vested after 5 years and are entitled to a deferred annuity commencing at age 55. Normal retirement is at age 55 with 5 years of service or 25 years of credited service. Benefit provisions are established under the authority of Title 9 of the SC Code of Laws. The benefit formula is based on 2.14% of average final compensation times the years of credited service.

Employees of the Town participate in the South Carolina Retirement System Plan for Class II Employees of the State of South Carolina. The South Carolina Retirement System (SCRS) is a cost sharing multiple-employer Public Employee Retirement System (PERS). This plan is funded on a matching basis using the actuarial method by the employee and the employer. Seven point five percent (7.5%) of all compensation from July 1, 2013 to June 30, 2014 represents the employee share. The Town contributed 10.45% of payroll; current funding for the plan from the Town was \$79,352.

The Town's current year covered payroll was \$759,352, and total current year payroll was \$796,782. Employees are vested after 5 years and are entitled to a deferred annuity commencing at age 60. Normal retirement is at age 65 or 30 years of credited service. Benefit provisions are established under the authority of Title 9 of the SC Code of Laws. The benefit formula is based on 1.82% of average final compensation times the years of credited service. The system also provides disability and life insurance benefits which are established by State Statute.

A Comprehensive Annual Financial Report containing financial statements and required supplemental information for the South Carolina Retirement System is issued and publicly available by writing the S.C. Retirement System, P.O. Box 11960, Columbia, South Carolina 29211-1960.

The following table presents the total payroll, payroll covered by SCRS and SCPORS, and the required contributions by the Town for the years ended June 30, 2014, 2013 and 2012.

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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

4. **Other Information** (Continued)

A. **Employee Benefit Plans** (Continued)

	Year Ended June 30		
	2014	2013	2012
<b>SCRS</b>			
Primary Government			
Total Payroll	\$ <u>796,782</u>	\$ <u>750,427</u>	\$ <u>731,080</u>
SCRS Covered Payroll	\$ <u>759,352</u>	\$ <u>730,311</u>	\$ <u>716,916</u>
Contributions	\$ <u>79,352</u>	\$ <u>76,317</u>	\$ <u>67,283</u>
<b>SCPORS</b>			
Primary Government			
Total Payroll	\$ <u>558,378</u>	\$ <u>552,100</u>	\$ <u>538,645</u>
SCPORS Covered Payroll	\$ <u>554,621</u>	\$ <u>521,274</u>	\$ <u>522,581</u>
Contributions	\$ <u>68,995</u>	\$ <u>62,032</u>	\$ <u>59,381</u>

One hundred percent of required contributions have been made for the current and each of the previous two years.

B. **Pending Implementation of GASB Statement on Pensions**

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("Statement"), was issued by the GASB in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Town's financial obligations to current and former employees for past services rendered.

In particular, the Town will be required to report a net pension liability for its participation in the SCRS and SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. In general, it should not have a significant impact on the Town's governmental funds.

The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the Town's unrestricted net assets. This Statement is required to be implemented by the Town no later than the fiscal year ending June 30, 2015.

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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

4. **Other Information** (Continued)

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

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

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

1. **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”.

At June 30, 2014 there was no internal balance between governmental activities and business-type activities.

2. **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	\$ 50,000
Hospitality Tax Special Revenue Fund	General Fund	108,304
Tourism Special Revenue Fund	General Fund	<u>50,000</u>
		<u>\$ 208,304</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 was one transfer during fiscal year 2014 as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Newsletter Fund	General Fund	<u>\$ 6,908</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

4. **Other Information (Continued)**

E. **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.

F. **Contingencies**

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.

G. **Federal and State Grants**

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

H. **Construction Commitments**

The Town has active construction and other projects as of June 30, 2014. The projects include the Edisto Island Hurricane and Storm Damage Reduction Feasibility Study.

At year end, the Town's commitments with contractors are as follows:

	<u>SPENT TO DATE</u>	<u>REMAINING COMMITMENT</u>	<u>ESTIMATED COMPLETION DATE</u>
Beach stabilization	\$ -	\$ 275,000	December 2016
Feasibility study	788,074	25,000	September 2014
Bay Creek Park electrical		80,000	November 2014
Bay Creek Park stages		17,900	August 2015
Jungle Shores water line extension	5,955	13,895	November 2015
Grit chamber		50,000	February 2015
Aerators		15,000	September 2014

I. **Subsequent Events**

Subsequent events have been evaluated by management of the Town through September 5, 2014, which represents the date the financial statements were available to be issued.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
For The Fiscal Year Ended June 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b><u>REVENUES</u></b>				
General property taxes	\$ 996,560	\$ 996,560	\$ 922,886	\$ (73,674)
Local option sales taxes	151,000	151,000	150,134	(866)
Other taxes	40,000	40,000	41,925	1,925
Licenses and permits	647,030	647,030	684,673	37,643
Charges for services	373,900	374,000	381,878	7,878
Fines and forfeitures	31,500	31,500	21,835	(9,665)
Intergovernmental revenues	257,329	257,329	258,528	1,199
Interest revenues	6,500	6,500	6,115	(385)
Rental revenues	36,100	36,100	37,238	1,138
Miscellaneous revenues	7,800	20,852	78,891	58,039
Total Revenues	<b>\$ 2,547,719</b>	<b>\$ 2,560,871</b>	<b>\$ 2,584,103</b>	<b>\$ 23,232</b>
<b><u>EXPENDITURES</u></b>				
Current				
General government				
Town administration	\$ 794,314	\$ 820,792	\$ 844,652	\$ (23,860)
Municipal court	91,180	88,123	75,156	12,967
Building inspector	213,313	213,313	196,511	16,802
Public safety				
Police department	518,839	518,839	481,988	36,851
Fire department	436,155	436,513	428,102	8,411
Public works				
Streets and roads	223,795	230,590	194,963	35,627
Contingency	128,844	104,730		104,730
Debt service				
Principal	60,000	60,000	60,000	-
Interest	116,085	116,085	116,085	-
Capital outlay	112,950	126,550	264,302	(137,752)
Total Expenditures	<b>\$ 2,695,475</b>	<b>\$ 2,715,535</b>	<b>\$ 2,661,759</b>	<b>\$ 53,776</b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER EXPENDITURES</u></b>	<b>\$ (147,756)</b>	<b>\$ (154,664)</b>	<b>\$ (77,656)</b>	<b>\$ 77,008</b>
<b><u>OTHER FINANCIAL SOURCES (USES)</u></b>				
Transfers in	\$ 202,500	\$ 209,408	\$ 215,212	\$ 5,804
Total Other Financial Sources (Uses)	<b>\$ 202,500</b>	<b>\$ 209,408</b>	<b>\$ 215,212</b>	<b>\$ 5,804</b>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<b>\$ 54,744</b>	<b>\$ 54,744</b>	<b>\$ 137,556</b>	<b>\$ 82,812</b>
<b><u>FUND BALANCES - BEGINNING</u></b>	<b>3,385,149</b>	<b>3,385,149</b>	<b>3,385,149</b>	<b>-</b>
<b><u>FUND BALANCES - ENDING</u></b>	<b>\$ 3,439,893</b>	<b>\$ 3,439,893</b>	<b>\$ 3,522,705</b>	<b>\$ 82,812</b>

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

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2014

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	TOURISM FUND	ALCOHOL PERMIT FUND	FIRE DEPARTMENT I&I FUND	VOLUNTEER FIRE DEPARTMENT FUND	BAYCREEK PARK	
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 225,034	\$ 32,632	\$ 23,861	\$ 48,197	\$ 95,099	\$ 424,823
Accounts receivable	-	-	-	-	3,900	3,900
<b>Total Assets</b>	<b>\$ 225,034</b>	<b>\$ 32,632</b>	<b>\$ 23,861</b>	<b>\$ 48,197</b>	<b>\$ 98,999</b>	<b>\$ 428,723</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b><u>Liabilities</u></b>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>Fund Balances</u></b>						
Restricted	\$ 225,034	\$ 32,632	\$ 23,861	\$ -	\$ -	\$ 281,527
Committed	-	-	-	-	98,999	98,999
Assigned	-	-	-	48,197	-	48,197
<b>Total Fund Balances</b>	<b>\$ 225,034</b>	<b>\$ 32,632</b>	<b>\$ 23,861</b>	<b>\$ 48,197</b>	<b>\$ 98,999</b>	<b>\$ 428,723</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 225,034</b>	<b>\$ 32,632</b>	<b>\$ 23,861</b>	<b>\$ 48,197</b>	<b>\$ 98,999</b>	<b>\$ 428,723</b>

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For The Fiscal Year Ended June 30, 2014

	<u>SPECIAL REVENUE FUNDS</u>				<u>CAPITAL PROJECTS FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>TOURISM FUND</u>	<u>ALCOHOL PERMIT FUND</u>	<u>FIRE DEPARTMENT I&amp;I FUND</u>	<u>VOLUNTEER FIRE DEPARTMENT FUND</u>	<u>BAYCREEK PARK</u>	
<b><u>REVENUES</u></b>						
Accommodations taxes	\$ 220,025	\$ -	\$ -	\$ -	\$ -	\$ 220,025
Intergovernmental revenues		26,010	24,024			50,034
Donations and special events				48,237		48,237
Interest revenues	389	33	37	21	41	521
Miscellaneous	-	-	-	-	3,900	3,900
<b>Total Revenues</b>	<b>\$ 220,414</b>	<b>\$ 26,043</b>	<b>\$ 24,061</b>	<b>\$ 48,258</b>	<b>\$ 3,941</b>	<b>\$ 322,717</b>
<b><u>EXPENDITURES</u></b>						
<b>Current</b>						
Public safety	\$ -	\$ -	\$ 24,405	\$ 58,892	\$ -	\$ 83,297
Recreation and culture	106,346	7,805			6,619	120,770
Capital outlay	51,219	-	-	-	102,164	153,383
<b>Total Expenditures</b>	<b>\$ 157,565</b>	<b>\$ 7,805</b>	<b>\$ 24,405</b>	<b>\$ 58,892</b>	<b>\$ 108,783</b>	<b>\$ 357,450</b>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	<b>\$ 62,849</b>	<b>\$ 18,238</b>	<b>\$ (344)</b>	<b>\$ (10,634)</b>	<b>\$ (104,842)</b>	<b>\$ (34,733)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Transfer in					177,000	177,000
Transfer out	(227,000)	-	-	-	-	(227,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (227,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 177,000</b>	<b>\$ (50,000)</b>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<b>\$ (164,151)</b>	<b>\$ 18,238</b>	<b>\$ (344)</b>	<b>\$ (10,634)</b>	<b>\$ 72,158</b>	<b>\$ (84,733)</b>
<b><u>FUND BALANCES - BEGINNING</u></b>	<b>389,185</b>	<b>14,394</b>	<b>24,205</b>	<b>58,831</b>	<b>26,841</b>	<b>513,456</b>
<b><u>FUND BALANCES - ENDING</u></b>	<b>\$ 225,034</b>	<b>\$ 32,632</b>	<b>\$ 23,861</b>	<b>\$ 48,197</b>	<b>\$ 98,999</b>	<b>\$ 428,723</b>

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

**SCHEDULE OF FINES AND ASSESSMENTS**  
For The Year Ended June 30, 2014

Fines collected	\$ <u>9,503</u>
Total assessment and surcharges to be collected	\$ <u>13,885</u>
State assessment and surcharges	\$ 12,338
Local assessment and surcharges	<u>1,547</u>
Total assessment and surcharges collected	\$ <u>13,885</u>
State assessment and surcharges remitted	\$ 11,463
Local assessment and surcharges retained by Town for victims assistance	1,547
Audit fee withheld from remittance	<u>875</u>
Total	\$ <u>13,885</u>
Local assessment sent to Colleton County under agreement to provide victims assistance	\$ <u>1,547</u>





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

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

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, 2014, 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 September 5, 2014.

**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 of 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*.

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

September 5, 2014

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

**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Year Ended June 30, 2014

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses unqualified opinions on the basic financial statements.
2. No significant 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 Circular A-133; therefore, no control deficiencies were disclosed for major federal award programs.
5. The Town did not fall under the requirements of OMB Circular A-133; 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 Circular A-133; 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 Circular A-133; 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.