

THE TOWN OF EDISTO BEACH

EDISTO BEACH, SOUTH CAROLINA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

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Edisto Beach, South Carolina

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Town of Edisto Beach



Jane S. Darby Mayor

Administration

Iris Hill, Town Administrator
Deborah Hargis, Municipal Clerk

Council Members

Susan Hornsby
Jerome Kizer
Crawford Moore
Patti Smyer

January 10, 2016

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, 2015, 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, 2015. 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 2013 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 2nd 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 2014 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 between \$12,000,000 and \$14,000,000. The Town has a commitment from Colleton County for \$4,000,000 through the Capital Project Sales Tax. The Town has \$3,000,000 for this project and expects a cost savings by working with the Edisto Beach State Park and Hunting Island on their beach nourishment projects. Council and Administration have been lobbying the SC General Assembly for funding but have not received a commitment. Administration has also been seeking other funding options such as beach nourishment grants and hazard mitigation grants.

Funding water and sewer infrastructure continues to be an issue. The Water System Improvement project continues to move forward and pivotal decisions will need to be made in 2016. Two schools of thought remain regarding this issue-construct the project in phases or construct the project in its entirety. Infrastructure improvements continue and the Point Street Waterline Expansion has been completed and the Jungle Shores Waterline Expansion is currently under construction.

Implementation of the Governmental Standards Accounting Board (GASB) 68 and 71 that requires all governmental entities report pension liabilities has been implemented and the impact of this reporting is evident in the Town's decrease in net worth.

The rating on revenue bonds was reaffirmed by Standard and Poor's Rating Service (S&P) as reported on September 1, 2015.

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

- Stable, diverse, and primarily residential customer base;
- Historically strong financial performance highlighted with high coverage and liquidity margins; and
- Affordable rates given the town's very strong income levels provide for rate flexibility.

Relevant Financial Policies

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 business interruption insurance (\$1,000,000 for General Fund and \$1,000,000 for Utilities) 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. Electrical upgrades were completed in 2015 and the stage construction is out for bids. 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. One lawsuit is currently pending.

During the past year in review-

Policy Actions

- ✓ Passed Proclamation claiming September 28 as 50th anniversary of Edisto Beach Baptist Church
- ✓ Passed and rescinded Moratorium on sewer taps into the Scott Creek/Docksite Sewer System
- ✓ Implemented “Fill the Bucket” beach nourishment campaign
- ✓ Established policy dealing with lost pets until a permanent solution is found
- ✓ Participated in Regional Advocacy Meetings and distributed legislative agenda
- ✓ Met with Department of Transportation Secretary Janet Oakley
- ✓ Capital Project Sales Tax referendum was successful. \$4,000,000 will go to fund beach nourishment
- ✓ Adopted Fiscal Year 2015-16 budget ordinance and calendar
- ✓ Established garbage committee
- ✓ Met with the State Senate Finance Committee to discuss beach nourishment funding
- ✓ Lobbied against H3490 and H3378
- ✓ Disbanded Garbage Committee
- ✓ Amended FY2014-15 Budget
- ✓ Passed Resolution No. 2015-R05 opposing Executive Order 11988
- ✓ Increased Sewer rate to fund replacement and recovery
- ✓ Passed Resolution No. 2015-R06 opposing H 3378 to Amend Section 48-39-130 of the SC Code of Laws
- ✓ Passed Ordinance No. 2015-07 to Amend Sections 66-78(b), 66-78(c), 66-78 (d) and Section 66-9 of the Town’s Code Related to Solid Waste Management
- ✓ Passed Work Authorization No. 5 with URS for the Hydraulic Evaluation for the Edisto Beach Wastewater Collection System at a cost not to exceed \$15,720
- ✓ Passed Resolution 2015-R08 designating April 2015 as Fair Housing Month
- ✓ Entered into an agreement with Colleton County for the Civic Center and approved Civic Center Guidelines and Fees
- ✓ Passed Resolution 2015-R10 Opposing H3490, a House Bill to Cap Business License Fees
- ✓ Awarded RFQ 2015-02 Town of Edisto Beach Water System Improvement Project to Wharton Smith to design water capacity and quality improvements
- ✓ Passed Proclamation 2015-P11 Claiming April 2015 as Zero Tolerance of Litter Month
- ✓ Took action on Zoning Ordinance Re-write

Town Service Focus

- ✓ Developed a solution to acquire sponsorships for festivals and raised \$14,000 instead of using tourism funds earmarked for beach nourishment
- ✓ Submitted festivals and events for publication in North Carolina and South Carolina Festivals magazine
- ✓ Standardized the handling of complaints and developed a form for said complaints
- ✓ Upgraded website
- ✓ Sent out “save the date” for Edisto Beach events to legislators and stakeholders

Infrastructure and Facilities Focus

- ✓ Filled and graded low spots on Pompano
- ✓ Worked with Republic to improve signage on containers and revised garbage container signs
- ✓ Installed new static screen on wastewater treatment plant
- ✓ Replaced 5 aerators in wastewater lagoon
- ✓ Replaced air conditioner, variable frequency drive control panel at well-field
- ✓ Replaced a 4.7 hp pump at Bay Creek Lift Station
- ✓ Installed new street signs on Palmetto, Jungle, Lybrand and Docksite
- ✓ Replaced 6 inch and 8 inch water valves using construction funds
- ✓ Permitted Jungle Shores Water expansion project and began construction
- ✓ Replaced impellers on Lift Stations A and B with hardened impellers
- ✓ Used Ground Penetrating Radar to look for air relief valves for Lift Stations A and B
- ✓ Installed air relief valves at Lift Stations A and B
- ✓ Worked with DOT to have streets resurfaced
- ✓ Worked with DOT to have sidewalks replaced
- ✓ Replaced 2 pumps at Bay Point Lift Station
- ✓ Replaced one VFD at Lift Station B
- ✓ Replaced one 12.1 HP pump at Waterfront Lift Station
- ✓ Replaced one fire hydrant in Club Cottage
- ✓ Replaced 3 globe valves and 2 check valves at Waterfront Lift Station

Strategic Plan and Development Focus

- ✓ Received a special exception from the Colleton County Zoning Board to locate retail at the civic center
- ✓ Developed Capital Improvement Plans
- ✓ Collated all utility billing information and recorded property owners state and federal legislators to provide information in lobbying efforts
- ✓ Met with Governor’s Cup Board of Directors

Governance Focus

- ✓ Department Heads represented the Town by participating on numerous Boards and committees of professional associations
- ✓ Participated in lobbying efforts regarding Biggert Waters Legislation
- ✓ Standardized business licensing practices for Edisto Beach
- ✓ Produced employee benefits brochures
- ✓ Building Department was evaluated by ISO and received a Classification 4 for 1 and 2 single family residential and Classification 3 for commercial and industrial

Health/Safety/Welfare Focus

- ✓ Worked with DOT to have “cross traffic does not stop” signs installed at Myrtle/Holmes and Myrtle/Murray
- ✓ 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
- ✓ Two employees graduated from the Risk Management Institute
- ✓ Participated in agility recovery, a web based system that enables Town to obtain needed equipment and maintain data during an emergency
- ✓ Emergency response staff trained in Ebola Preparedness
- ✓ Insurance Services Office re-evaluation decreased ratings from a 4/9Y to a 3/3X
- ✓ Police Department was awarded 2014 Outstanding South Carolina Safe Traffic Safe Community award from AAA
- ✓ Obtained water recreation funding for a “drive on” dock at Bay Creek park to increase rescue boat response time and permitted same

Parks & Recreation Focus

- ✓ Upgraded electricity at Bay Creek Park
- ✓ Designed stage
- ✓ Improved ventilation in the Bay Creek park restrooms
- ✓ Permitted beach nourishment and groin extensions
- ✓ Replaced boards and painted Heritage Building
- ✓ Added ADA compliant ramp at beach access 32

Major Initiatives-Future

In February 2015, Council held its 6th 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. This funding comes primarily from user fees designated for renewal and replacement.

The Town remains vigilant regarding the Biggert Waters Act. Revised Flood maps were provided in December 2015 and will be under review by the Town. The Town is monitoring the Spring Grove subdivision in Charleston County and has concerns about future impacts it may have on Edisto Beach.

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, 2015, 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, 2015, 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.

Emphasis of Matter

The Town adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015, and required the restatement of net position as discussed in Note 4 to the financial statements:

Statement No. 68 – Accounting and Financial Reporting for Pensions

Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date

My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the schedule of revenues, expenditures and changes in fund balance – budget and actual for the General Fund on page 54, and the pension information on pages 55 and 56 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

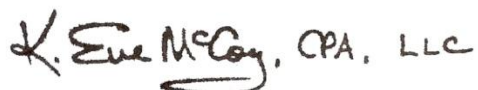
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Edisto Beach's financial statements. The accompanying letter of transmittal and combining and individual fund financial statements and schedules are presented for purposes of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

The accompanying combining and individual fund financial statements and schedules on pages 59 through 63 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 November 13, 2015, on my consideration of the Town of Edisto Beach's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Edisto Beach's internal control over financial reporting and compliance.

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

November 13, 2015

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015. 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 \$16,961,447. Of this amount, approximately \$13,260,845 and \$3,700,602 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 \$2,230,446 for its governmental activities and approximately \$2,526,671 for its business-type activities.

The Town's total net position decreased over last year's net position by \$1,999,298 with the implementation of Statements 68 and 71 of the Governmental Accounting Standards Board Statements (GASB). Net pension obligation (\$2,309,058) is now reported under liabilities which accounts for the decrease in total net position. Without this change in reporting, the Town's net position would have increased by \$293,583. Total revenues of approximately \$5,119,910 exceeded total expenses of approximately \$4,826,327.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$6,785,574, an increase of approximately \$584,756, over the prior year's fund balance. Approximately 55% of this total amount, or approximately \$3,883,423, 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 \$3,209,110, or 84% of the total General Fund fund balance for the year ended June 30, 2015.

The Town's revenue bond rating was re-evaluated in 2015 using the new Standard and Poor's criteria and the A+ rating was reaffirmed. The General Obligation Bond rating was re-evaluated in 2014 and increased three levels to an AA+.

The following tables provide a summary of the Town's changes in net position for the year ended June 30, 2015:

Total net position	\$ 16,961,447
Increase in net position	\$ 293,583
Restricted net position	\$ 3,019,702
Unrestricted net position	\$ 4,757,117
Decrease in total debt	\$ (94,957)

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015

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, 2015

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 \$16,961,447.

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 \$16,961,447. This is a \$1,999,298 decrease over last year's net position of \$18,960,745. 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, 2015

SUMMARY OF NET POSITION

	Governmental Activities		Business-Type Activities		Totals		Amount Change	% Change
	2015	2014	2015	2014	2015	2014		
Current and other assets	\$ 7,015,065	\$ 6,399,558	\$ 3,695,153	\$ 3,437,263	\$ 10,710,218	\$ 9,836,821	\$ 873,397	8.88%
Capital assets	10,408,248	11,027,392	2,611,380	2,607,206	13,019,628	13,634,598	(614,970)	-4.51%
Total Assets	\$ 17,423,313	\$ 17,426,950	\$ 6,306,533	\$ 6,044,469	\$ 23,729,846	\$ 23,471,419	\$ 258,427	1.10%
Deferred outflows of resources	\$ 163,190	\$ -	\$ 147,737	\$ 95,207	\$ 310,927	\$ 95,207	\$ 215,720	226.58%
Long-term liabilities	\$ 3,839,572	\$ 2,285,689	\$ 2,211,202	\$ 1,555,000	\$ 6,050,774	\$ 3,840,689	\$ 2,210,085	57.54%
Other liabilities	322,400	291,955	484,195	473,237	806,595	765,192	41,403	5.41%
Total Liabilities	\$ 4,161,972	\$ 2,577,644	\$ 2,695,397	\$ 2,028,237	\$ 6,857,369	\$ 4,605,881	\$ 2,251,488	48.88%
Deferred inflows of resources	\$ 163,686	\$ -	\$ 58,273	\$ -	\$ 221,959	\$ -	\$ 221,959	100.00%
Net Position								
Invested in capital assets, net of related debt	\$ 8,128,248	\$ 8,687,392	\$ 1,056,380	\$ 1,017,206	\$ 9,184,628	\$ 9,704,598	\$ (519,970)	-5.36%
Restricted	2,902,151	2,530,917	117,551	128,567	3,019,702	2,659,484	360,218	13.54%
Unrestricted	2,230,446	3,630,997	2,526,671	2,965,666	4,757,117	6,596,663	(1,839,546)	-27.89%
Total Net Position	\$ 13,260,845	\$ 14,849,306	\$ 3,700,602	\$ 4,111,439	\$ 16,961,447	\$ 18,960,745	\$ (1,999,298)	-10.54%

Comparative data is not available for fiscal year 2014 related to deferred outflows, deferred inflows and net pension liability due to pension accounting change required by GASBs No. 68 and 71.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Net Position

Net position of the Town's governmental activities decreased by 10.7% to \$13,260,845. 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 38.5% to \$2,230,446.

Net position of the Town's business-type activities decreased 9.9% to \$3,700,602. These resources cannot be used to add to the net position surplus in governmental activities. The Town generally can only use these net positions to finance the continuing operations of the business-type activities.

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

SUMMARY OF CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>		
Revenues								
Program revenues								
Charges for services	\$ 446,313	\$ 403,713	\$ 1,437,149	\$ 1,394,240	\$ 1,883,462	\$ 1,797,953	\$ 85,509	4.76%
Operating grants & contributions	3,127	-	-	-	3,127	-	3,127	100.00%
General revenues								
Property taxes	1,012,593	922,886			1,012,593	922,886	89,707	9.72%
Local option sales taxes	150,134	150,134			150,134	150,134	-	0.00%
Accommodations taxes	732,249	629,910			732,249	629,910	102,339	16.25%
Hospitality taxes	174,346	166,607			174,346	166,607	7,739	4.65%
Business taxes	696,306	684,673			696,306	684,673	11,633	1.70%
Intergovernmental revenues	295,594	308,562			295,594	308,562	(12,968)	-4.20%
Other	166,343	196,135	5,756	(2,684)	172,099	193,451	(21,352)	-11.04%
Total Revenues	\$ 3,677,005	\$ 3,462,620	\$ 1,442,905	\$ 1,391,556	\$ 5,119,910	\$ 4,854,176	\$ 265,734	5.47%

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals		Amount Change	% Change
	2015	2014	2015	2014	2015	2014		
Expenses								
General								
government	\$ 1,203,396	\$ 1,160,189	\$ -	\$ -	\$ 1,203,396	\$ 1,160,189	\$ 43,207	3.72%
Public safety	1,195,657	1,120,310			1,195,657	1,120,310	75,347	6.73%
Public works	198,687	220,772			198,687	220,772	(22,085)	-10.00%
Recreation & culture	168,011	200,858			168,011	200,858	(32,847)	-16.35%
Beach preservation	775,982	693,169			775,982	693,169	82,813	11.95%
Interest on long-term debt	112,860	115,440			112,860	115,440	(2,580)	-2.23%
Water & sewer	-	-	1,171,734	1,143,532	1,171,734	1,143,532	28,202	2.47%
Total Expenses	\$ 3,654,593	\$ 3,510,738	\$ 1,171,734	\$ 1,143,532	\$ 4,826,327	\$ 4,654,270	\$ 172,057	3.70%
Change in Net Position	\$ 22,412	\$ (48,118)	\$ 271,171	\$ 248,024	\$ 293,583	\$ 199,906	\$ 93,677	46.86%
Beginning Net Position (Restated)	13,238,433	14,897,424	3,429,431	3,863,415	16,667,864	18,760,839	(2,092,975)	-11.16%
Ending Net Position	\$ 13,260,845	\$ 14,849,306	\$ 3,700,602	\$ 4,111,439	\$ 16,961,447	\$ 18,960,745	\$ (1,999,298)	-10.54%

CHANGES IN NET POSITION

The Town's total revenues increased by 5.4% to \$5,119,910. Approximately 54% of the Town's revenue comes from some type of tax. Another 36% 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, 2015

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

Governmental Activities

Revenues for the Town's governmental activities increased by \$214,385 to \$3,677,005 due to increases in property taxes, hospitality taxes, accommodations taxes and business taxes.

Total expenses increased by \$143,855 to \$3,654,593. These increases were attributed to the salary and associated benefit increases, engineering for the beach nourishment project and enhanced waste service.

Business-Type Activities

Revenues for charges for services were adjusted this fiscal year. The sewer rate was increased by 5% on June 14, 2015.

Total expenses for the Town's business-type activities remained relatively stable from 2014 to 2015.

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 \$6,785,574. Of this year-end total, approximately \$3,209,110 is unassigned indicating availability for continuing Town service requirements.

Restricted, committed and assigned fund balances include: \$2,026,653 of Local Accommodations funds restricted to beach preservation projects, \$16,076 committed to the development of the Bay Creek Park fka Bell property acquired in 2007, \$833,895 (Hospitality and Accommodations Taxes) restricted to the promotion of recreation and tourism, \$41,603 (Alcohol Permitting and I & I) restricted to other projects and \$63,267 assigned to the Volunteer Fire Department.

The total ending fund balances of governmental funds show an increase of \$584,756 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 \$281,375. Of the total fund balance of \$3,804,080, \$594,970 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, 2015

Major Proprietary Funds

The Town's major proprietary fund is the water and sewer fund. The net position of the water and sewer fund decreased by \$410,837. The decrease in net position is due to the recording of net pension liabilities, deferred inflows of resources and deferred outflows of resources as required under the new GASBs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2015 original budget to the final budget shows a net change of \$0. Budgeted revenues and transfers were increased by \$30,182 which included an additional \$22,276 in licenses and permits, budgeted expenditures increased by \$30,182 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, 2015, was \$10,408,248 and \$2,611,380, 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Non-Depreciable Assets:							
Land and other non-depreciable assets	\$ 7,020,943	\$ 7,020,943	\$ 302,256	\$ 285,955	\$ 7,323,199	\$ 7,306,898	0.22%
Depreciable Assets:							
Buildings	403,132	349,836	28,916	33,068	432,048	382,904	12.83%
Improvements other than buildings	350,422	416,702			350,422	416,702	-15.91%
Infrastructure	1,678,082	2,325,518	2,094,622	2,105,357	3,772,704	4,430,875	-14.85%
Machinery and equipment	955,669	914,393	185,586	182,826	1,141,255	1,097,219	4.01%
Total	<u>\$ 10,408,248</u>	<u>\$ 11,027,392</u>	<u>\$ 2,611,380</u>	<u>\$ 2,607,206</u>	<u>\$ 13,019,628</u>	<u>\$ 13,634,598</u>	-4.51%

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Long-Term Debt

At the end of the fiscal year, the Town had bonded debt outstanding of \$1,555,000 supported by pledged revenues generated primarily by the business-type activities of the Town (revenue bonds) and \$2,280,000 supported by general revenues generated by the governmental activities of the Town (general obligation bonds). Total long-term debt is \$3,870,606 of which \$35,606 is for compensated absences. Long-term debt decreased by \$94,957.

Bond Ratings

General Obligation Bond ratings are disclosed on the face of the final official statements for the bonds. The rating on General Obligation Bonds increased by three levels to an AA+ by Standard and Poor's Rating Service (S&P) as reported on June 24, 2014. On September 1, 2015, Standard and Poor's Rating Service reaffirmed the Town's A+ long-term rating on revenue bonds.

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

- Stable, diverse, and primarily residential customer base;
- Historically strong financial performance highlighted with high coverage and liquidity margins; and
- Affordable rates given the Town's very strong income levels provide for rate flexibility.

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

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGET AND RATES

The Town's water and sewer revenue bonds require rate increases to operate and maintain the Town's system as needed. A water and sewer rate study was completed in 2011 which provided guidance on future rate increases. Sewer rates were increased by 5% June 14, 2015. Water System improvements are still under review and future primary standard revisions by the Environmental Protection Agency may force the Town to implement changes due to high Fluoride levels.

Beach Nourishment is scheduled for 2016 and all present and future tourism taxes are needed to fund the cost of the project estimated at \$12,000,000-\$14,000,000. Colleton County has pledged \$4,000,000 towards this project. Edisto Beach has \$3,000,000 in tourism taxes and is working on acquiring additional funding through grants and the general assembly.

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

The millage rate remained at 20.23 for fiscal year 2015.

Rates are analyzed and adjusted annually as needed.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015

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<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	\$ 6,875,982	\$ 3,138,733	\$ 10,014,715
Receivables			
Taxes	28,712		28,712
Accounts	110,371	423,874	534,245
Inventory	<u>-</u>	<u>14,995</u>	<u>14,995</u>
Total Current Assets	<u>\$ 7,015,065</u>	<u>\$ 3,577,602</u>	<u>\$ 10,592,667</u>
<u>RESTRICTED ASSETS</u>			
Investments	<u>\$ -</u>	<u>\$ 117,551</u>	<u>\$ 117,551</u>
Total Restricted Assets	<u>\$ -</u>	<u>\$ 117,551</u>	<u>\$ 117,551</u>
<u>NONCURRENT ASSETS</u>			
Capital assets			
Land and other non-depreciable assets	\$ 7,020,943	\$ 302,256	\$ 7,323,199
Capital assets, net of depreciation	<u>3,387,305</u>	<u>2,309,124</u>	<u>5,696,429</u>
Total Noncurrent Assets	<u>\$ 10,408,248</u>	<u>\$ 2,611,380</u>	<u>\$ 13,019,628</u>
Total Assets	<u>\$ 17,423,313</u>	<u>\$ 6,306,533</u>	<u>\$ 23,729,846</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts from refunding of debt	\$ -	\$ 88,860	\$ 88,860
Deferred outflows related to pensions	<u>163,190</u>	<u>58,879</u>	<u>222,069</u>
Total Deferred Outflows of Resources	<u>\$ 163,190</u>	<u>\$ 147,739</u>	<u>\$ 310,929</u>

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF NET POSITION
June 30, 2015

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<u>LIABILITIES</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>CURRENT LIABILITIES</u>			
Accounts payable	\$ 12,535	\$ 374	\$ 12,909
Interest payable	27,731		27,731
Unearned revenue	188,244	448,821	637,065
Compensated absences	28,890		28,890
Bonds, notes and loans payable	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Total Current Liabilities	<u>\$ 322,400</u>	<u>\$ 449,195</u>	<u>\$ 771,595</u>
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>			
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>
<u>NONCURRENT LIABILITIES</u>			
Compensated absences	\$ 6,716	\$ -	\$ 6,716
Bonds, notes and loans payable	2,215,000	1,520,000	3,735,000
Net pension obligation	<u>1,617,856</u>	<u>691,202</u>	<u>2,309,058</u>
Total Noncurrent Liabilities	<u>\$ 3,839,572</u>	<u>\$ 2,211,202</u>	<u>\$ 6,050,774</u>
Total Liabilities	<u>\$ 4,161,972</u>	<u>\$ 2,695,397</u>	<u>\$ 6,857,369</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pensions	<u>\$ 163,686</u>	<u>\$ 58,273</u>	<u>\$ 221,959</u>
Total Deferred Inflows of Resources	<u>\$ 163,686</u>	<u>\$ 58,273</u>	<u>\$ 221,959</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 8,128,248	\$ 1,056,380	\$ 9,184,628
Restricted	2,902,151	117,551	3,019,702
Unrestricted	<u>2,230,446</u>	<u>2,526,671</u>	<u>4,757,117</u>
Total Net Position	<u>\$ 13,260,845</u>	<u>\$ 3,700,602</u>	<u>\$ 16,961,447</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, 2015

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>			
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	
<u>Governmental Activities</u>								
General government	\$ 1,203,396	\$ 420,180	\$ 3,127	\$ -	\$ (780,089)	\$ -	\$ (780,089)	
Public safety	1,195,657	26,133			(1,169,524)		(1,169,524)	
Public works	198,687				(198,687)		(198,687)	
Recreation and culture	168,011				(168,011)		(168,011)	
Beach preservation	775,982				(775,982)		(775,982)	
Interest	112,860	-	-	-	(112,860)	-	(112,860)	
Total Governmental Activities	\$ 3,654,593	\$ 446,313	\$ 3,127	\$ -	\$ (3,205,153)	\$ -	\$ (3,205,153)	
<u>Business Activities</u>								
Water and sewer	\$ 1,171,734	\$ 1,437,149	\$ -	\$ -	\$ -	\$ 265,415	\$ 265,415	
Total Business-Type Activities	\$ 1,171,734	\$ 1,437,149	\$ -	\$ -	\$ -	\$ 265,415	\$ 265,415	
Total Government	\$ 4,826,327	\$ 1,883,462	\$ 3,127	\$ -	\$ (3,205,153)	\$ 265,415	\$ (2,939,738)	
<u>General Revenues</u>								
<u>Taxes</u>								
					\$ 1,012,593	\$ -	\$ 1,012,593	
					150,134		150,134	
					732,249		732,249	
					174,346		174,346	
					696,306		696,306	
					295,594		295,594	
					13,198	5,756	18,954	
					46,848		46,848	
					106,297	-	106,297	
					\$ 3,227,565	\$ 5,756	\$ 3,233,321	
					CHANGE IN NET POSITION	\$ 22,412	\$ 271,171	\$ 293,583
					NET POSITION - BEGINNING (AS RESTATED)	13,238,433	3,429,431	16,667,864
					NET POSITION - ENDING	\$ 13,260,845	\$ 3,700,602	\$ 16,961,447

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, 2015

	<u>GENERAL</u> <u>FUND</u>	LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUNDS	<u>TOTAL</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 3,894,488	\$ 2,026,653	\$ 485,420	\$ 469,421	\$ 6,875,982
Receivables					
Taxes	28,712				28,712
Accounts	<u>110,371</u>				<u>110,371</u>
Total Assets	<u>\$ 4,033,571</u>	<u>\$ 2,026,653</u>	<u>\$ 485,420</u>	<u>\$ 469,421</u>	<u>\$ 7,015,065</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts payable	\$ 12,535	\$ -	\$ -	\$ -	\$ 12,535
Unearned revenue	<u>188,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,244</u>
Total Liabilities	<u>\$ 200,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,779</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property taxes	<u>\$ 28,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,712</u>
<u>Fund Balances</u>					
Restricted	\$ -	\$ 2,026,653	\$ 485,420	\$ 390,078	\$ 2,902,151
Committed	594,970			16,076	611,046
Assigned				63,267	63,267
Unassigned	<u>3,209,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,209,110</u>
Total Fund Balances	<u>\$ 3,804,080</u>	<u>\$ 2,026,653</u>	<u>\$ 485,420</u>	<u>\$ 469,421</u>	<u>\$ 6,785,574</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,033,571</u>	<u>\$ 2,026,653</u>	<u>\$ 485,420</u>	<u>\$ 469,421</u>	<u>\$ 7,015,065</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, 2015

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	6,785,574
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.		
		10,408,248
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.		
		28,712
Certain deferred outflows of resources represent a consumption of net position in a future period and, therefore, are not reported in the funds.		
Pension contributions		
		163,190
Certain deferred inflows of resources represent amounts that are not available to pay for the current periods expenditures and, therefore, are reported as a deferred inflow of resources.		
Pension investment experience		
		(163,686)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences	\$	(35,606)
Accrued interest		(27,731)
Bonds payable		(2,280,000)
Net pension obligation		(1,617,856)
		<u>(3,961,193)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>13,260,845</u>

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2015

Page 1 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>
<u>REVENUES</u>					
General property taxes	\$ 1,008,916	\$ -	\$ -	\$ -	\$ 1,008,916
Local option sales taxes	150,134				150,134
Accommodations taxes	45,960	413,802		272,487	732,249
Hospitality taxes			174,346		174,346
Licenses and permits	696,306				696,306
Charges for services	420,180				420,180
Fines and forfeitures	26,133				26,133
Intergovernmental revenues	258,528			37,066	295,594
Grants	3,127				3,127
Interest revenues	7,465	4,263	930	540	13,198
Rental revenues	46,848				46,848
Miscellaneous revenues	58,025	1,195	-	47,077	106,297
Total Revenues	\$ 2,721,622	\$ 419,260	\$ 175,276	\$ 357,170	\$ 3,673,328
<u>EXPENDITURES</u>					
Current					
General government	\$ 1,158,821	\$ -	\$ -	\$ -	\$ 1,158,821
Public safety	974,244			72,314	1,046,558
Public works	175,922				175,922
Recreation and culture			25,866	72,654	98,520
Beach preservation		143,814			143,814
Debt service					
Principal	60,000				60,000
Interest	113,505				113,505
Capital outlay	169,928	-	-	121,504	291,432
Total Expenditures	\$ 2,652,420	\$ 143,814	\$ 25,866	\$ 266,472	\$ 3,088,572

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, 2015

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>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	\$ 69,202	\$ 275,446	\$ 149,410	\$ 90,698	\$ 584,756
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	212,173				212,173
Transfers out	-	(50,000)	(112,173)	(50,000)	(212,173)
Total Other Financing Sources (Uses)	<u>\$ 212,173</u>	<u>\$ (50,000)</u>	<u>\$ (112,173)</u>	<u>\$ (50,000)</u>	<u>\$ -</u>
<u>NET CHANGE IN FUND BALANCES</u>	\$ 281,375	\$ 225,446	\$ 37,237	\$ 40,698	\$ 584,756
<u>FUND BALANCES - BEGINNING</u>	<u>3,522,705</u>	<u>1,801,207</u>	<u>448,183</u>	<u>428,723</u>	<u>6,200,818</u>
<u>FUND BALANCES - ENDING</u>	<u>\$ 3,804,080</u>	<u>\$ 2,026,653</u>	<u>\$ 485,420</u>	<u>\$ 469,421</u>	<u>\$ 6,785,574</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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL	\$ 584,756
 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.	291,432
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(910,576)
Repayment of debt decreases long-term liabilities in the Statement of Activities.	60,000
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	3,677
Increase in accrued compensated absences is not reported as expenditures in governmental funds but as increase in liabilities in the Statement of Net Position.	(43)
Decrease in accrued interest payable is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Position.	645
Change in pension deferred outflows (inflows) of resources (net) and net pension liability is included in the governmental activities in the Statement of Assets.	<u>(7,479)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 22,412</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, 2015

Page 1 of 2

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>ENTERPRISE FUNDS</u>	
<u>ASSETS</u>	<u>WATER AND SEWER</u>	<u>TOTAL</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,138,733	\$ 3,138,733
Accounts receivable	423,874	423,874
Inventory	14,995	14,995
Total Current Assets	\$ 3,577,602	\$ 3,577,602
<u>RESTRICTED ASSETS</u>		
Investments	\$ 117,551	\$ 117,551
Total Restricted Assets	\$ 117,551	\$ 117,551
<u>NONCURRENT ASSETS</u>		
Capital assets		
Capital assets not depreciated	\$ 302,256	\$ 302,256
Capital assets depreciated, net	2,309,124	2,309,124
Total Noncurrent Assets	\$ 2,611,380	\$ 2,611,380
Total Assets	\$ 6,306,533	\$ 6,306,533
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred amounts from refunding of debt	\$ 88,860	\$ 88,860
Deferred amounts related to pension	58,879	58,879
Total Deferred Outflows	\$ 147,739	\$ 147,739

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, 2015

Page 2 of 2

	BUSINESS-TYPE ACTIVITIES	
	ENTERPRISE FUNDS	
<u>LIABILITIES</u>	WATER AND SEWER	TOTAL
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 374	\$ 374
Unearned revenue	448,821	448,821
Total Current Liabilities	\$ 449,195	\$ 449,195
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Bonds payable	\$ 35,000	\$ 35,000
Total Current Liabilities (Payable From Restricted Assets)	\$ 35,000	\$ 35,000
<u>NONCURRENT LIABILITIES</u>		
Bonds and loans payable	\$ 1,520,000	\$ 1,520,000
Net pension obligation	691,202	691,202
Total Noncurrent Liabilities	\$ 2,211,202	\$ 2,211,202
Total Liabilities	\$ 2,695,397	\$ 2,695,397
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred amounts related to pension	\$ 58,273	\$ 58,273
Total Deferred Outflows	\$ 58,273	\$ 58,273
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	\$ 1,056,380	\$ 1,056,380
Restricted for debt service	117,551	117,551
Unrestricted	2,526,671	2,526,671
Total Net Position	\$ 3,700,602	\$ 3,700,602

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, 2015

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>ENTERPRISE FUNDS</u>	
	<u>WATER</u>	
	<u>AND SEWER</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 1,437,149	\$ 1,437,149
Total Operating Revenues	<u>\$ 1,437,149</u>	<u>\$ 1,437,149</u>
<u>OPERATING EXPENSES</u>		
Personal services	\$ 480,022	\$ 480,022
Operating expenses	427,775	427,775
Depreciation	<u>204,234</u>	<u>204,234</u>
Total Operating Expenses	<u>\$ 1,112,031</u>	<u>\$ 1,112,031</u>
Operating Income (Loss)	<u>\$ 325,118</u>	<u>\$ 325,118</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	\$ 5,756	\$ 5,756
Interest expense	<u>(59,703)</u>	<u>(59,703)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (53,947)</u>	<u>\$ (53,947)</u>
<u>CHANGE IN NET POSITION</u>	\$ 271,171	\$ 271,171
<u>TOTAL NET POSITION - BEGINNING (AS RESTATED)</u>	<u>3,429,431</u>	<u>3,429,431</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 3,700,602</u>	<u>\$ 3,700,602</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, 2015

Page 1 of 2

	BUSINESS-TYPE ACTIVITIES	
	ENTERPRISE FUNDS	
	WATER AND SEWER	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 1,179,342	\$ 1,179,342
Cash paid to suppliers for goods and services	(420,155)	(420,155)
Cash paid to employees	(480,022)	(480,022)
Net Cash Provided By Operating Activities	\$ 279,165	\$ 279,165
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Interest paid on long-term debt	\$ (53,356)	\$ (53,356)
Principal paid on long-term debt	(35,000)	(35,000)
Acquisition and construction of fixed assets	(208,408)	(208,408)
Net Cash Flows From Capital And Related Financing Activities	\$ (296,764)	\$ (296,764)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	\$ 5,756	\$ 5,756
Net Cash Flows From Investing Activities	\$ 5,756	\$ 5,756
<u>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</u>	\$ (11,843)	\$ (11,843)
<u>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</u>	3,268,127	3,268,127
<u>CASH AND EQUIVALENTS AT END OF YEAR</u>	\$ 3,256,284	\$ 3,256,284
<u>CLASSIFIED AS:</u>		
Current assets	\$ 3,138,733	\$ 3,138,733
Restricted assets	117,551	117,551
	\$ 3,256,284	\$ 3,256,284

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, 2015

Page 2 of 2

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

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>ENTERPRISE FUNDS</u>	
	<u>WATER AND SEWER</u>	<u>TOTAL</u>
<u>OPERATING INCOME</u>	\$ 325,118	\$ 325,118
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	204,234	204,234
<u>(INCREASE) DECREASE IN ASSETS</u>		
Accounts receivable	(268,765)	(268,765)
Inventory	(968)	(968)
<u>INCREASE (DECREASE) IN LIABILITIES</u>		
Unearned revenue	10,958	10,958
Pension deferrals	<u>8,588</u>	<u>8,588</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 279,165</u>	<u>\$ 279,165</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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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 \$2,510,318 and the corresponding bank balance was \$2,331,439.

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, 2015, the Town was exposed to custodial risk as follows:

Uninsured and collateral held by pledging bank's bond department not in Town's name \$2,081,439.

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, 2015, the Town's unrestricted investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$6,528,962 and certificates of deposit in the amount of \$975,435. 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, 2015, 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 \$117,551.

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 \$975,435 invested in certificates of deposit is uninsured and collateral held by the pledging bank's bond department not in the Town's name \$918,561.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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, 2015

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

C. **Capital Assets**

Capital assets activity for the fiscal year follows:

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>
<u>Governmental Activities</u>				
Capital assets not depreciated:				
Land	\$ 6,970,944	\$ -	\$ -	\$ 6,970,944
Land improvements	49,999	-	-	49,999
Total Assets Not Depreciated	<u>\$ 7,020,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,020,943</u>
Capital assets depreciated:				
Buildings	\$ 629,478	\$ 74,095	\$ -	\$ 703,573
Improvements other than buildings	742,946	-	-	742,946
Machinery and equipment	2,385,673	217,337	(235,072)	2,367,938
Infrastructure - sidewalks	763,375	-	-	763,375
- beach nourishment	6,321,684	-	-	6,321,684
Total Assets Depreciated	<u>\$ 10,843,156</u>	<u>\$ 291,432</u>	<u>\$ (235,072)</u>	<u>\$ 10,899,516</u>
Less accumulated depreciation:				
Buildings	\$ 279,642	\$ 20,799	\$ -	\$ 300,441
Improvements other than buildings	326,244	66,280	-	392,524
Machinery and equipment	1,471,280	176,061	(235,072)	1,412,269
Infrastructure	4,759,541	647,436	-	5,406,977
Total Accumulated Depreciation	<u>\$ 6,836,707</u>	<u>\$ 910,576</u>	<u>\$ (235,072)</u>	<u>\$ 7,512,211</u>
Total Depreciable Capital Assets, Net	<u>\$ 4,006,449</u>	<u>\$ (619,144)</u>	<u>\$ -</u>	<u>\$ 3,387,305</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 11,027,392</u>	<u>\$ (619,144)</u>	<u>\$ -</u>	<u>\$ 10,408,248</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

	July 1	Additions	Deductions	Reclassifications	June 30
Business-type Activities					
Capital assets not depreciated:					
Land	\$ 280,000	\$ -	\$ -	\$ -	\$ 280,000
Construction in progress	<u>5,955</u>	<u>16,301</u>	<u>-</u>	<u>-</u>	<u>22,256</u>
Total Assets Not Depreciated	\$ 285,955	\$ 16,301	\$ -	\$ -	\$ 302,256
Capital assets depreciated:					
Buildings	\$ 90,532	\$ -	\$ -	\$ -	\$ 90,532
System infrastructure	4,923,580	110,640			5,034,220
Machinery and equipment	<u>976,081</u>	<u>81,467</u>	<u>(30,069)</u>	<u>-</u>	<u>1,027,479</u>
Total Assets Depreciated	\$ 5,990,193	\$ 192,107	\$ (30,069)	\$ -	\$ 6,152,231
Less accumulated depreciation:					
Buildings	\$ 57,464	\$ 4,152	\$ -	\$ -	\$ 61,616
System infrastructure	2,818,223	121,375			2,939,598
Machinery and equipment	<u>793,255</u>	<u>78,707</u>	<u>(30,069)</u>	<u>-</u>	<u>841,893</u>
Total Accumulated Depreciation	\$ 3,668,942	\$ 204,234	\$ (30,069)	\$ -	\$ 3,843,107
Total Depreciable Capital Assets, Net	\$ 2,321,251	\$ (12,127)	\$ -	\$ -	\$ 2,309,124
Total Business-type Activities Capital Assets, Net	\$ 2,607,206	\$ 4,174	\$ -	\$ -	\$ 2,611,380

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

<u>Governmental Activities</u>	
General government	\$ 43,963
Public safety	142,267
Public works	22,687
Recreation and culture	69,491
Beach preservation	<u>632,168</u>
Total	<u>\$ 910,576</u>
<u>Business-type Activities</u>	
Water and sewer	\$ 204,234
Total	<u>\$ 204,234</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015 is required to be held by the Town in perpetuity for the use of the public.

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

D. **Long-Term Debt**

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

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
Revenue bonds	\$ 1,590,000	\$ -	\$ 35,000	\$ 1,555,000	\$ 35,000
Total	\$ 1,590,000	\$ -	\$ 35,000	\$ 1,555,000	\$ 35,000
<u>Governmental Activities</u>					
Compensated absences	\$ 35,563	\$ 43	\$ -	\$ 35,606	\$ 28,890
General obligation bonds	2,340,000	-	60,000	2,280,000	65,000
Total	\$ 2,375,563	\$ 43	\$ 60,000	\$ 2,315,606	\$ 93,890
Total Long-Term Debt	<u>\$ 3,965,563</u>	<u>\$ 43</u>	<u>\$ 95,000</u>	<u>\$ 3,870,606</u>	<u>\$ 128,890</u>

Long-term debt payable at June 30, 2015 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% \$ 1,555,000

Total Revenue Bonds For Business-Type Activities \$ 1,555,000

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%. \$ 2,280,000

Total General Obligation Bonds For Governmental Activities \$ 2,280,000

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, including interest payments are as follows:

REVENUE BONDS PAYABLE

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
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	40,000	50,100	90,100
2021-2025	210,000	235,885	445,885
2026-2030	250,000	200,130	450,130
2031-2035	295,000	149,566	444,566
2036-2040	355,000	86,328	441,328
2041-2043	250,000	15,200	265,200
	<u>\$ 1,555,000</u>	<u>\$ 945,298</u>	<u>\$ 2,500,298</u>

GENERAL OBLIGATION BONDS PAYABLE

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
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	75,000	98,775	173,775
2021-2025	430,000	436,000	866,000
2026-2030	525,000	320,740	845,740
2031-2035	665,000	181,010	846,010
2036-2037	315,000	23,750	338,750
	<u>\$ 2,280,000</u>	<u>\$ 1,486,200</u>	<u>\$ 3,766,200</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 \$4,160,490.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4. **Governmental Accounting Standards Board (GASB) Statement No. 68 Restatement**
For the fiscal year ended June 30, 2015, the Town implemented the provisions of GASB No. 68 – Accounting and Financial Reporting for Pensions and GASB No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date. Accordingly, beginning net position of the water and sewer Enterprise Fund was reduced by \$682,008. The Governmental activities net position was reduced by \$1,610,873. These reductions reflect the recording of net pension liabilities, deferred inflows or resources and deferred outflows of resources as required under the new GASBs.
5. **Retirement Plan**
All full time employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS).

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

Plan Description

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

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

Membership

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

5. **Retirement Plan (Continued)**
Membership (Continued)

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

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

Benefits

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

Contributions

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

Required employee contribution rates for fiscal year 2014-2015 are as follows:

SCRS

Employee Class Two	8.00 % of earnable compensation
Employee Class Three	8.00 % of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	8.41 % of earnable compensation
Employee Class Three	8.41 % of earnable compensation

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Required employer contribution rates for fiscal year 2014-2015 are as follows:

SCRS

Employer Class Two	10.75 % of earnable compensation
Employer Class Three	10.75 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation

PORS

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01 % of earnable compensation
Employer Class Three	13.01 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation

Net Pension Liability

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was, therefore, determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures.

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. At June 30, 2014, the Town's proportion was .008364% of SCRS and .04539% for PORS.

As of June 30, 2015, the Town reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>TOTAL</u>
Proportionate Share of Net Pension Liability	<u>\$ 1,440,004</u>	<u>\$ 869,054</u>	<u>\$ 2,309,058</u>

Included in the net pension liability is \$1,617,856 related to governmental activities and \$691,202 related to business-type activities. Typically, the General Fund or the Utility Fund, based on whichever fund an employee is assigned to and to which the employee's pension costs are charged, will be the fund to liquidate the net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense of \$176,960, of which \$129,772 is related to governmental activities and \$47,188 is related to business-type activities. At June 30, 2015, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 221,959
Difference between actual and expected experience	63,995	
Pension contributions to the plan subsequent to the measurement date	158,074	-
Total	\$ 222,069	\$ 221,959

\$158,074 reported as deferred outflows of resources related to pension contributions subsequent to the measurement date will impact the net pension liability in fiscal year 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending June 30	Amount
2016	\$ 36,855
2017	36,855
2018	36,855
2019	47,399

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

5. Retirement Plan (Continued)
Actuarial Assumptions and Methods (Continued)

Actuarial Cost Method	SCRS Entry Age	PORS Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.5%	7.5%
Projected Salary Increases	levels off at 3.5%	levels off at 4.0%
Includes Inflation At	2.75%	2.75%
Benefit Adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
General Employees	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the following table. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

5. Retirement Plan (Continued)
Actuarial Assumptions and Methods (Continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Short Term	5.0%		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total Expected Real Return	<u>100.0%</u>		<u>5.88</u>
Inflation for Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u>8.63</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

5. **Retirement Plan (Continued)**

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.50 percent, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) of 1 percentage point higher (8.50 percent) than the current rate:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Net pension liability of the Town	\$ 3,077,935	\$ 2,309,058	\$ 1,669,968

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, P. O. Box 11960, Columbia SC 29211-1960.

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

The Town does not provide postemployment benefits other than pension benefits described in Note 5.

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

A. **Receivables and Payables**

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

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

At June 30, 2015 there was no internal balance between governmental activities and business-type activities.

B. **Transfers and Payments**

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

B. **Transfers and Payments (Continued)**

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	112,173
Tourism Special Revenue Fund	General Fund	<u>50,000</u>
		<u>\$ 212,173</u>

The government-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. There were no transfers during fiscal year 2015.

8. **Risk Management**

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

9. **Contingencies**

The Town is a defendant in a lawsuit filed by one of its former employees alleging improper termination of employment. The Town believes the suit is completely without merit and intends to vigorously defend its position. The outcome of this litigation is not currently predictable. The amount of liability which might exist cannot be reasonably estimated and no provision for loss has been made in the accompanying financial statements. Management believes that the results of the above noted litigation will not have a material adverse impact on the various funds of the Town.

In addition to the litigation noted above, from time to time the Town is party to various legal proceedings which normally occur in governmental operations. Management is not aware of any pending or threatened litigation, or unasserted claims or assessments that could have a material adverse impact on the various funds of the Town.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

10. **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.

11. **Construction Commitments**

The Town has active construction and other projects as of June 30, 2015.

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

	<u>SPENT TO DATE</u>	<u>REMAINING COMMITMENT</u>	<u>ESTIMATED COMPLETION DATE</u>
Beach stabilization	\$ -	\$ 157,000	December 2016
Water and sewer improvements		485,000	December 2016

12. **Subsequent Events**

Subsequent events have been evaluated by management of the Town through November 13, 2015, which represents the date the financial statements were available to be issued.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended June 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>				
General property taxes	\$ 1,009,546	\$ 1,005,546	\$ 1,008,916	\$ 3,370
Local option sales taxes	151,000	144,161	150,134	5,973
Other taxes	41,700	46,000	45,960	(40)
Licenses and permits	661,030	674,030	696,306	22,276
Charges for services	433,747	433,747	420,180	(13,567)
Fines and forfeitures	26,500	27,000	26,133	(867)
Intergovernmental revenues	257,329	258,532	258,528	(4)
Interest revenues	6,800	6,800	7,465	665
Rental revenues	36,600	44,020	46,848	2,828
Grants			3,127	3,127
Miscellaneous revenues	11,800	23,398	58,025	34,627
Total Revenues	\$ 2,636,052	\$ 2,663,234	\$ 2,721,622	\$ 58,388
<u>EXPENDITURES</u>				
Current				
General government				
Town administration	\$ 858,664	\$ 881,279	\$ 893,454	\$ (12,175)
Municipal court	91,713	91,713	80,444	11,269
Building inspector	211,960	209,912	184,923	24,989
Public safety				
Police department	540,225	540,776	514,713	26,063
Fire department	446,847	478,873	459,531	19,342
Public works				
Streets and roads	212,892	218,350	175,922	42,428
Contingency	118,946	104,366		104,366
Debt service				
Principal	60,000	60,000	60,000	-
Interest	113,505	113,505	113,505	-
Capital outlay	138,050	124,210	169,928	(45,718)
Total Expenditures	\$ 2,792,802	\$ 2,822,984	\$ 2,652,420	\$ 170,564
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER EXPENDITURES</u>	\$ (156,750)	\$ (159,750)	\$ 69,202	\$ 228,952
<u>OTHER FINANCIAL SOURCES (USES)</u>				
Transfers in	\$ 207,000	\$ 210,000	\$ 212,173	\$ 2,173
Total Other Financial Sources (Uses)	\$ 207,000	\$ 210,000	\$ 212,173	\$ 2,173
<u>NET CHANGE IN FUND BALANCES</u>	\$ 50,250	\$ 50,250	\$ 281,375	\$ 231,125
<u>FUND BALANCES - BEGINNING</u>	3,522,705	3,522,705	3,522,705	-
<u>FUND BALANCES - ENDING</u>	\$ 3,572,955	\$ 3,572,955	\$ 3,804,080	\$ 231,125

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY OF COST SHARING DEFINED BENEFIT PLAN
LAST 10 YEARS*
June 30, 2015

	<u>Fiscal Year 2014-2015</u>	
	<u>SCRS</u>	<u>PORS</u>
Proportion of the net pension liability	0.008364%	0.045390%
Proportionate share of the net pension liability	\$ 1,440,004	\$ 869,054
Covered - employee payroll	\$ 751,015	\$ 576,940
Proportionate share of the net pension liability as percentage of covered-employee payroll	191.75%	150.63%
Plan's fiduciary net position	\$ 25,738,521,026	\$ 3,985,101,996
Plan fiduciary net position as a percentage of the total pension liability	59.90%	67.50%

* - Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF CONTRIBUTIONS TO COST
SHARING DEFINED BENEFIT PLAN
LAST 10 YEARS*
June 30, 2015

	Fiscal Year 2014-2015	
	SCRS	PORS
Contractually required contribution (actuarially determined)	\$ 81,860	\$ 76,214
Contributions in relation to the actuarially determined contributions	<u>81,860</u>	<u>76,214</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 751,015	\$ 576,940
Contributions as a percentage of covered-employee payroll	10.90%	13.21%
Notes to Schedule:		
Valuation date:	06/30/14	06/30/14
Methods and assumptions used to determine contribution rates:		
	SCRS	PORS
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	5-Year Smoothing	5-Year Smoothing
Amortization Method:	Level % of Pay	Level % of Pay
Amortization Period:	25 Years, Open	30 Years, Open
Investment Return:	7.50%	7.50%
Inflation:	2.75%	2.75%
Salary Increases:	3.50% plus step-rate increases for members with less than 25 years of service.	4.00% plus step-rate increases for members with less than 12 years of service.
Mortality:	RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from Year 2000. Male rates multiplied by 100% for non-educators and 110% for educators. Female rates multiplied by 90% for non-educators and 95% for educators.	RP-2000 Mortality Table with Blue Collar Adjustment, projected at Scale AA from Year 2000. Male and female rates are multiplied by 115%.

* - Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	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	
<u>ASSETS</u>						
Cash and cash equivalents	\$ 348,475	\$ 30,593	\$ 11,010	\$ 63,267	\$ 16,076	\$ 469,421
Total Assets	\$ 348,475	\$ 30,593	\$ 11,010	\$ 63,267	\$ 16,076	\$ 469,421
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Fund Balances</u>						
Restricted	\$ 348,475	\$ 30,593	\$ 11,010	\$ -	\$ -	\$ 390,078
Committed					16,076	16,076
Assigned	-	-	-	63,267	-	63,267
Total Fund Balances	\$ 348,475	\$ 30,593	\$ 11,010	\$ 63,267	\$ 16,076	\$ 469,421
Total Liabilities and Fund Balances	\$ 348,475	\$ 30,593	\$ 11,010	\$ 63,267	\$ 16,076	\$ 469,421

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, 2015

	<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&I FUND</u>	<u>VOLUNTEER FIRE DEPARTMENT FUND</u>		<u>BAYCREEK PARK</u>
<u>REVENUES</u>						
Accommodations taxes	\$ 272,487	\$ -	\$ -	\$ -	\$ -	\$ 272,487
Intergovernmental revenues		9,300	27,766			37,066
Donations and special events				46,702	375	47,077
Interest revenues	417	35	42	23	23	540
Total Revenues	\$ 272,904	\$ 9,335	\$ 27,808	\$ 46,725	\$ 398	\$ 357,170
<u>EXPENDITURES</u>						
Current						
Public safety	\$ -	\$ -	\$ 40,659	\$ 31,655	\$ -	\$ 72,314
Recreation and culture	46,029	11,374			15,251	72,654
Capital outlay	53,434	-	-	-	68,070	121,504
Total Expenditures	\$ 99,463	\$ 11,374	\$ 40,659	\$ 31,655	\$ 83,321	\$ 266,472
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>						
	\$ 173,441	\$ (2,039)	\$ (12,851)	\$ 15,070	\$ (82,923)	\$ 90,698
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfer out	(50,000)	-	-	-	-	(50,000)
Total Other Financing Sources (Uses)	\$ (50,000)	\$ -	\$ -	\$ -	\$ -	\$ (50,000)
<u>NET CHANGE IN FUND BALANCES</u>	\$ 123,441	\$ (2,039)	\$ (12,851)	\$ 15,070	\$ (82,923)	\$ 40,698
<u>FUND BALANCES - BEGINNING</u>	225,034	32,632	23,861	48,197	98,999	428,723
<u>FUND BALANCES - ENDING</u>	\$ 348,475	\$ 30,593	\$ 11,010	\$ 63,267	\$ 16,076	\$ 469,421

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF FINES AND ASSESSMENTS
For The Year Ended June 30, 2015

Fines collected	\$ <u>9,169</u>
Total assessment and surcharges to be collected	\$ <u>16,179</u>
State assessment and surcharges	\$ 14,215
Local assessment and surcharges	<u>1,964</u>
Total assessment and surcharges collected	\$ <u>16,179</u>
State assessment and surcharges remitted	\$ 13,390
Local assessment and surcharges retained by Town for victims assistance	1,964
Audit fee withheld from remittance	<u>825</u>
Total	\$ <u>16,179</u>
Local assessment sent to Colleton County under agreement to provide victims assistance	\$ <u>1,964</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF HISTORICAL NET REVENUES AND
DEBT SERVICE COVERAGE – WATER AND SEWER FUND
June 30, 2015

	Year Ended June 30				
	2015	2014	2013	2012	2011
Charges for Services	\$ 1,437,149	\$ 1,394,240	\$ 1,401,371	\$ 1,368,389	\$ 1,356,655
Interest Income	5,756	4,224	5,859	6,564	6,946
Miscellaneous Income			13,060		198
Less: Expenses	(1,112,031)	(1,083,391)	(1,286,512)	(1,124,351)	(1,130,384)
Plus: Depreciation	<u>204,234</u>	<u>235,031</u>	<u>232,973</u>	<u>236,083</u>	<u>233,870</u>
Revenues Net of Expenses	<u>\$ 330,874</u>	<u>\$ 315,073</u>	<u>\$ 133,778</u>	<u>\$ 250,602</u>	<u>\$ 233,415</u>
Net Revenues	<u>\$ 535,108</u>	<u>\$ 550,104</u>	<u>\$ 366,751</u>	<u>\$ 486,685</u>	<u>\$ 467,285</u>
Total Debt Service/Parity Bonds	<u>\$ 88,356</u>	<u>\$ 88,794</u>	<u>\$ 104,325</u>	<u>\$ 55,531</u>	<u>\$ 94,102</u>
Debt Service Coverage Ratio	6.06	6.20	3.52	8.76	4.97



K. EVE McCOY, CPA, LLC
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Columbia, South Carolina 29201
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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, 2015, 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 November 13, 2015.

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

November 13, 2015

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2015

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.