

THE TOWN OF EDISTO BEACH

EDISTO BEACH, SOUTH CAROLINA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

CONTENTS

	<u>PAGE</u>
Contents	i-ii
Letter of Transmittal	iii-ix
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13-14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Assets - Proprietary Funds	21-22
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24-25
Notes to Financial Statements	26-44
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	45

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

CONTENTS

	<u>PAGE</u>
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	47
Schedule of Fines and Assessments	48
Schedule of Expenditures of Federal Awards	49
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	50-51
Schedule of Findings and Responses	52-53

Town of Edisto Beach

Burley L. Lyons, Mayor

Administration

Iris Hill, Town Administrator
Meagan, Chaplin, Municipal Clerk



Council Members

Pete Anderson
Susan Hornsby
Larry "Babe" Hutto
Tommy Mann

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, 2011, 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 Accountants, have issued an unqualified opinion on the Town of Edisto Beach financial statements for the year ending June 30, 2011. The independent auditor's report is located at the front of the financial statement section of this report.

Generally Accepted Accounting Principles (GAAP) 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 2010 Census which is being challenged. To date, the Census Bureau has indicated that an adjustment will be made; however, this has not been validated. Because State funding to local governments and millage caps are based on population, an inaccurate population count reduces the Town funding.

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. The 2010 Census reports that 414 permanent residents live in the Town, compared to 129 freehold electors when the Town was incorporated in 1970. As stated above, this is being challenged as the 2000 Census reported a population of 641. 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 40 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.

Long Term Financial Planning

Water and sewer infrastructure remains an issue. Funding continues to be set aside for future beach nourishment from the local accommodations fund. Obtaining funding for nourishment from Colleton County and the State has not been resolved. Implementation of the Governmental Standards Accounting Board (GASB) 45 that requires all governmental entities report pension liabilities will become an issue next year. Because the Town of Edisto Beach participates in the South Carolina Retirement System, the unfunded liability will be spread between all users and shown as an unfunded liability on next year's audit report. This will impact the Town's credit rating and interest rates. Town Council has not established a policy regarding how much funding should be maintained in reserves for emergency purposes. Currently, the Town tries to maintain the industry standard of three months operating.

Relevant Financial Policies

The Town of Edisto Beach adopted an investment policy that minimizes risks while maintaining a competitive yield on its funds; accordingly, cash available for investing during the year was invested in the State Local Government Investment Pool (LGIP) and on a staggered basis on higher interest Certificates of Deposit. Last year a Request for Proposals for Bank Services was issued and the Town entered into a new contract with Enterprise Bank.

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. Last year, the Town switched health insurance carriers and is now covered by the South Carolina State Health Plan. It is yet to be determined what the long term ramifications will be with the changes in health care, but there are indications that costs will continue to increase to pay for unfunded mandates.

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. Sewer connection has yet to be resolved to provide public restroom facilities but is being addressed.

The Town's website went "live" on June 30, 2010. Town staffs continually look at ways to increase transparency by adding services and information for the public. Payments on-line were implemented this fiscal year. Comments are welcome.

The Police Department implemented an after-hours direct line to the officer on duty so non-emergency calls could be addressed more timely. Property checks were implemented to provide an added level of security for homeowner's who are often not on site. A survey was issued to all residences on Edisto Beach and services are being added or improved as a result of the survey.

During the past year in review-

Policy Actions

- ✓ Increased appointments to Colleton County Boards and Commissions
- ✓ New Council attended and graduated from the Elected Official's Institute
- ✓ Council attended Legislative Action Day and Hometown Connection
- ✓ Revised travel and vacation policies
- ✓ Lobbied legislators for point of sale revisions and against school bonds
- ✓ Established Goals/Action Plan and Legislative Initiatives
- ✓ Implemented policy requiring rental houses have 2 waste receptacles
- ✓ Implemented policy allowing mobile vending
- ✓ Funded litter removal on SC 174
- ✓ Established Bay Creek park rules and regulations
- ✓ Opposed Colleton County property assessment
- ✓ Donated funding to turtle patrol
- ✓ Implemented policy to allow hand dollies to transport sailboats on the beach
- ✓ Revised policy allowing side by side dwellings
- ✓ Revised sign ordinance allowing sandwich and way finder signs
- ✓ Revised impervious surface ordinance
- ✓ Revised ordinance regarding errors in utility billing
- ✓ Repealed Sea Rescue Ordinance
- ✓ Challenged 2010 Census
- ✓ Revised Sea Turtle Protection Ordinance

Management Actions

- ✓ Changed health insurance carrier for a cost savings of \$70,000
- ✓ Provided finance reports on the website
- ✓ Completed 2010 Audit Management Discussion and Analysis
- ✓ Cross trained personnel
- ✓ Issued RFP for liability insurance
- ✓ Researched lighting issues and implemented retrofit program
- ✓ Audited county tax records to ensure accuracy
- ✓ Organized personnel and administrative files

Town Service Focus

- ✓ Initiated credit card payments on line
- ✓ Implemented pay for performance
- ✓ Revised channel 2 format
- ✓ Converted to virtual servers
- ✓ Implemented GIS

Infrastructure and Facilities Focus

- ✓ Awarded Feasibility study for storm water improvements on Myrtle Street
- ✓ Replaced dead tree at Coral Street beach access
- ✓ Completed Lee Street/Sunset drainage improvements
- ✓ Installed 6" water lines across Palmetto for Point Street fire protection
- ✓ Installed aerator at wastewater lagoon
- ✓ Treated wastewater lagoon with bio-agent to reduce sludge
- ✓ Remodeled Town apartments/fire and police departments
- ✓ Installed 1,400 feet of sand fencing
- ✓ Added walk through gate at convenience station
- ✓ Replaced and /or installed 150 signs
- ✓ Replaced "Danger Keep Off" signs at groins
- ✓ Completed Osceola Drainage project
- ✓ Installed "Keep off Dunes" signs
- ✓ Scraped and herbicided Lybrand/Docksite Bike path
- ✓ Installed variable frequency drive pump at well field
- ✓ Replaced booster pump #2 at well field
- ✓ Installed variable frequency drive units on lift stations A & C
- ✓ Installed radio communications for SCADA system
- ✓ Implemented lift station and manhole rehabilitation
- ✓ Replaced valves at Lee Station lift station
- ✓ Replaced valves and check valves at Summerwind Lift Station
- ✓ Replaced 2 air relief valves on sewer system
- ✓ Installed control panel at Lift Station C
- ✓ Replaced control panel at Summerwind Lift Station

Strategic Plan and Development Focus

- ✓ Selected firm to revise zoning ordinance
- ✓ Revised beachfront Management Plan and submitted to DHEC for review
- ✓ Implemented Photogrammetric mapping of Edisto Beach
- ✓ Provided \$162,557 in in-kind services for ACOE Feasibility Study

Health /Safety/Welfare Focus

- ✓ Implemented Code Red emergency notification system
- ✓ Adopted Colleton County Hazard Mitigation Plan
- ✓ Implemented workplace safety pledge
- ✓ Volunteer Firefighters purchased 6 wheel rescue vehicle for the fire department
- ✓ Implemented safety and wellness program
- ✓ All members of Fire Department have Firefighter II certification
- ✓ Received \$48,000 grant for extrication and air compressor
- ✓ Provided CPR and AED training to staff and community
- ✓ Developed bike and golf cart information cards for the public

Governance Focus

- ✓ Revised departmental goals to align with Council goals

Parks & Recreation Focus

- ✓ Acquired new Christmas decorations
- ✓ Acquired \$100,000 Brownfields grant for Bay Creek Park
- ✓ Resurfaced bike path and constructed new bike path bridge
- ✓ Implemented "Adopt a beach access" program
- ✓ Submitted Sidewalk funding request to CTC
- ✓ Submitted Scenic Byway Grant for bike lane on Palmetto Blvd
- ✓ Operated Market at Bay Creek Park
- ✓ Completed Bay Creek park construction and brownfields remediation
- ✓ Opened additional beach access parking at Neptune, Jenkins, Baynard and Mitchell
- ✓ Added bike path signs at Wyndham entrance
- ✓ Added bike path signs on Palmetto directing to Vine Street bike path

Major Initiatives-Future

In March 2011, Council held its second annual planning retreat to establish goals and objectives to provide guidance to administration for the upcoming year.

Six major goals were established:

1. Seek and acquire funding for beach nourishment/groin maintenance
2. Negotiate waste water permit/contract with Plantation Golf Course, LLC
3. Seek affordable solutions to better water
4. Review and address charges for service calls/user fees
5. Address drainage issues
6. Research single member districts of Colleton County

Funding continues to be provided to repair and maintain failing infrastructure needs such as lift stations, wells and the aerated wastewater treatment facility which is ongoing. Dune protection needs to be addressed as the Town experienced much erosion this past season and there will be efforts to build a program for dune protection. Promoting tourism on Edisto Beach remains a primary focus.

The Town continues to rely on its citizens, committees and volunteers to help improve, maintain and promote the Town. Thank you for this opportunity to work for the Town of Edisto Beach and I look forward to continuing to work with the Council and community 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

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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Edisto Beach, South Carolina. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

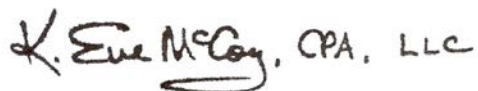
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edisto Beach, South Carolina, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.C.6 to the basic financial statements, effective July 1, 2010, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, I have also issued a report dated October 25, 2011, 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, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 45, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 46-49, identified in the table of contents as combining and individual fund statements and schedules, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

K. Eue McCoy, CPA, LLC

October 25, 2011

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 assets were \$18,850,202. Of this amount, approximately \$15,128,517 and \$3,721,685 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net assets (may be used to meet the government's ongoing obligations to citizens and creditors) were approximately \$2,817,489 for its governmental activities and approximately \$1,753,260 for its business-type activities.

The Town's total net assets increased over last year's net assets by \$174,465, as the total revenues of approximately \$4,722,611 exceeded total expenses of approximately \$4,548,146.

The government's total net assets decreased by \$1,835 for governmental activities and the net assets for the business-type activities increased by approximately \$176,300.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$4,680,512, an increase of approximately \$428,006, over the prior year's fund balance. Approximately 60% of this total amount, or approximately \$2,792,032, is available for spending at the Town's discretion (unrestricted fund balance).

At the end of the current fiscal year, unrestricted fund balance for the General Fund was approximately \$2,209,246, or 83% of the total General Fund fund balance for the year ended June 30, 2011.

The Town's bond rating remained a strong A+ by Standard and Poor's.

The following tables provide a summary of the Town's changes in net assets for the year ended June 30, 2011:

Total net assets	\$ 18,850,202
Increase in net assets	\$ 174,465
Restricted net assets	\$ 2,063,556
Unrestricted net assets	\$ 4,570,749
Decrease in total debt	\$ 66,543

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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 assets presents information on all of the Town's net assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, 2011

FUND BASIC FINANCIAL STATEMENTS

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

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

The Town has two kinds of funds:

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

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

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

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

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

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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 and the Town's newsletter.

Notes to the Financial Statements

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

Other Information

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

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

At the close of the most recent fiscal year, the Town's assets exceeded liabilities by \$18,850,202.

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

The Town's net assets at fiscal year end are \$18,850,202. This is a \$174,465 increase over last year's net assets of \$18,675,737. The following table provides a summary of the Town's net assets at June 30:

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

SUMMARY OF NET ASSETS

	Governmental Activities		Business-Type Activities		Totals		Amount Change	% Change
	2011	2010	2011	2010	2011	2010		
Current and other assets	\$ 4,948,196	\$ 4,467,194	\$ 2,229,657	\$ 2,026,082	\$ 7,177,853	\$ 6,493,276	\$ 684,577	10.54%
Capital assets	<u>12,967,394</u>	<u>13,441,742</u>	<u>2,990,135</u>	<u>3,020,383</u>	<u>15,957,529</u>	<u>16,462,125</u>	<u>(504,596)</u>	-3.07%
Total Assets	\$ 17,915,590	\$ 17,908,936	\$ 5,219,792	\$ 5,046,465	\$ 23,135,382	\$ 22,955,401	\$ 179,981	0.78%
Long-term liabilities	\$ 2,456,959	\$ 2,516,549	\$ 1,055,769	\$ 1,055,145	\$ 3,512,728	\$ 3,571,694	\$ (58,966)	-1.65%
Other liabilities	<u>330,114</u>	<u>262,035</u>	<u>442,338</u>	<u>445,935</u>	<u>772,452</u>	<u>707,970</u>	<u>64,482</u>	9.11%
Total Liabilities	\$ 2,787,073	\$ 2,778,584	\$ 1,498,107	\$ 1,501,080	\$ 4,285,180	\$ 4,279,664	\$ 5,516	0.13%
Net Assets								
Invested in capital assets, net of related debt	\$ 10,422,548	\$ 10,881,742	\$ 1,793,349	\$ 1,927,238	\$ 12,215,897	\$ 12,808,980	\$ (593,083)	-4.63%
Restricted	1,888,480	2,052,521	175,076	137,034	2,063,556	2,189,555	(125,999)	-5.75%
Unrestricted	<u>2,817,489</u>	<u>2,196,089</u>	<u>1,753,260</u>	<u>1,481,113</u>	<u>4,570,749</u>	<u>3,677,202</u>	<u>893,547</u>	26.27%
Total Net Assets	\$ 15,128,517	\$ 15,130,352	\$ 3,721,685	\$ 3,545,385	\$ 18,850,202	\$ 18,675,737	\$ 174,465	0.93%

Net Assets

Net assets of the Town's governmental activities decreased by 0.01% to \$15,128,517. However, much of those net assets 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 assets increased by 28.3% to \$2,817,489.

Net assets of the Town's business-type activities increased 4.9% to \$3,721,685. These resources cannot be used to add to the net asset surplus in governmental activities. The Town generally can only use these net assets to finance the continuing operations of the business-type activities.

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

SUMMARY OF CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>		
<u>Revenues</u>								
Program revenues								
Charges for services	\$ 337,815	\$ 337,516	\$ 1,356,655	\$ 1,252,207	\$ 1,694,470	\$ 1,589,723	\$ 104,747	6.59%
Operating grants & contributions	105,670	3,065			105,670	3,065	102,605	3347.63%
Capital grants & contributions	-	139,870	747	3,795	747	143,665	(142,918)	-99.48%
General revenues								
Property taxes	999,417	951,886			999,417	951,886	47,531	5.00%
Local option sales taxes	162,921	141,038			162,921	141,038	21,883	15.52%
Accommodations taxes	501,814	477,743			501,814	477,743	24,071	5.04%
Hospitality taxes	156,975	132,024			156,975	132,024	24,951	18.90%
Business taxes	641,001	623,543			641,001	623,543	17,458	2.80%
Intergovernmental revenues	322,194	285,941			322,194	285,941	36,253	12.68%
Other	<u>130,242</u>	<u>136,968</u>	<u>7,160</u>	<u>6,985</u>	<u>137,402</u>	<u>143,953</u>	<u>(6,551)</u>	-4.55%
Total Revenues	<u>\$ 3,358,049</u>	<u>\$ 3,229,594</u>	<u>\$ 1,364,562</u>	<u>\$ 1,262,987</u>	<u>\$ 4,722,611</u>	<u>\$ 4,492,581</u>	<u>\$ 230,030</u>	5.12%

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

SUMMARY OF CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>		
<u>Expenses</u>								
<u>General</u>								
government	\$ 1,017,339	\$ 987,161	\$ -	\$ -	\$ 1,017,339	\$ 987,161	\$ 30,178	3.06%
Public safety	1,084,335	1,097,646			1,084,335	1,097,646	(13,311)	-1.21%
Public works	186,613	186,710			186,613	186,710	(97)	-0.05%
Recreation & culture	309,938	173,892			309,938	173,892	136,046	78.24%
<u>Beach</u>								
preservation	639,231	669,356			639,231	669,356	(30,125)	-4.50%
<u>Interest on</u>								
long-term debt	122,428	131,441			122,428	131,441	(9,013)	-6.86%
<u>Water & sewer</u>			1,186,486	1,118,205	1,186,486	1,118,205	68,281	6.11%
<u>Newsletter</u>	-	-	1,776	4,134	1,776	4,134	(2,358)	-57.04%
<u>Total Expenses</u>	<u>\$ 3,359,884</u>	<u>\$ 3,246,206</u>	<u>\$ 1,188,262</u>	<u>\$ 1,122,339</u>	<u>\$ 4,548,146</u>	<u>\$ 4,368,545</u>	<u>\$ 179,601</u>	<u>4.11%</u>
<u>Change in Net Assets</u>	\$ (1,835)	\$ (16,612)	\$ 176,300	\$ 140,648	\$ 174,465	\$ 124,036	\$ 50,429	40.66%
<u>Beginning Net Assets</u>	<u>15,130,352</u>	<u>15,146,964</u>	<u>3,545,385</u>	<u>3,404,737</u>	<u>18,675,737</u>	<u>18,551,701</u>	<u>124,036</u>	<u>0.67%</u>
<u>Ending Net Assets</u>	<u>\$ 15,128,517</u>	<u>\$ 15,130,352</u>	<u>\$ 3,721,685</u>	<u>\$ 3,545,385</u>	<u>\$ 18,850,202</u>	<u>\$ 18,675,737</u>	<u>\$ 174,465</u>	<u>0.93%</u>

CHANGES IN NET ASSETS

The Town's total revenues increased by 5.12% to \$4,722,611. Approximately 52% 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, 2011

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

Governmental Activities

Revenues for the Town's governmental activities increased by \$128,455 to \$3,358,049 mainly due to property taxes and \$100,000 Brownfields Grant.

Total expenses increased by \$113,678 to \$3,359,884. These increases were attributed to increased garbage fees, drainage projects and work required to repair Town facilities, most of which were paid from prior year funds.

Business-Type Activities

Revenues for the Town's business-type activities increased by \$101,575 to \$1,364,562 mainly due to a 5% water and sewer rate increase.

Total expenses for the Town's business-type activities increased by \$65,923 to \$1,188,262 mainly due to infrastructure failures and subsequent repairs.

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 \$4,680,512. Of this year end total, approximately \$2,209,246 is unassigned indicating availability for continuing Town service requirements.

Restricted, committed and assigned fund balances include: \$1,205,266 of Local Accommodations funds restricted to beach preservation projects, \$98,950 committed to the development of the Bay Creek Park fka Bell property acquired in 2007, \$656,778 restricted to the promotion of recreation and tourism, and \$26,436 restricted and \$38,003 committed to other projects.

The total ending fund balances of governmental funds show an increase of \$428,006 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 \$428,006. Of the total fund balance of \$2,655,079, \$445,833 is committed as determined by Town Council. This is the first year reporting the committed designation under General Fund as now required by GASB 54 to enhance the usefulness of fund balance information by providing a clearer fund balance classification. 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, 2011

Major Proprietary Funds

The Town's major proprietary fund is the water and sewer fund. The net assets of the water and sewer fund increased by \$176,300. This increase is due to a 5% increase in water and sewer rates.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2011 original budget to the final budget shows a net change of \$0. Budgeted revenues were increased by \$2,935 and correspondingly, budgeted expenditures increased by \$2,935 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, 2011, was \$12,932,548 and \$2,887,118, respectively. See Note 3 for additional information about changes in capital assets during the fiscal year.

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>		<u>Total</u> <u>% Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Non-Depreciable Assets:							
Land and other non-depreciable assets	\$ 6,918,770	\$ 7,061,984	\$ 280,000	\$ 280,000	\$ 7,198,770	\$ 7,341,984	0.29%
Depreciable Assets:							
Buildings	405,029	391,820	45,526	50,165	450,555	441,985	-1.27%
Improvements other than buildings	624,421	242,001			624,421	242,001	122.46%
Infrastructure	4,267,826	4,915,262	2,148,542	2,263,323	6,416,368	7,178,585	-8.18%
Machinery and equipment	<u>716,502</u>	<u>830,675</u>	<u>413,050</u>	<u>426,895</u>	<u>1,129,552</u>	<u>1,257,570</u>	31.72%
Total	<u>\$ 12,932,548</u>	<u>\$ 13,441,742</u>	<u>\$ 2,887,118</u>	<u>\$ 3,020,383</u>	<u>\$ 15,819,666</u>	<u>\$ 16,462,125</u>	-1.78%

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Long-Term Debt

At the end of the fiscal year, the Town had bonded debt outstanding of \$1,105,000 supported by pledged revenues generated primarily by the business-type activities of the Town (revenue bonds) and \$2,510,000 supported by general revenues generated by the governmental activities of the Town (general obligation bonds). Total long term debt is \$3,638,184 of which \$23,184 is for compensated absences.

Bond Ratings

General Obligation Bond ratings are disclosed on the face of the final official statements for the bonds. The rating on Revenue Bonds remained an A+ by Standards and Poors. Town management has concerns whether the lowering of the national debt ceiling will impact the current rating which is scheduled for review November 2011.

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

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGET AND RATES

According to the 2010 Census, the Town of Edisto Beach's population decreased from 615 to 414. This result is being challenged and is currently under review by the U. S. Census. Data from the challenge indicates that there were geocoding errors that erroneously led to a decrease in population.

The Town's water and sewer revenue bonds require rate increases to operate and maintain the Town's system as needed. Water and sewer rates were increased in December 2010 by 5% pending a rate study (2011) to determine funding needed for future capital improvements.

Rates are analyzed and adjusted annually as needed.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF NET ASSETS
June 30, 2011

Page 1 of 2

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	\$ 4,937,699	\$ 1,793,090	\$ 6,730,789
Receivables			
Taxes	43,999		43,999
Accounts	41,841	156,375	198,216
Other	16,679		16,679
Inventory		10,404	10,404
Internal balances	<u>(92,022)</u>	<u>92,022</u>	<u>-</u>
Total Current Assets	<u>\$ 4,948,196</u>	<u>\$ 2,051,891</u>	<u>\$ 7,000,087</u>
<u>RESTRICTED ASSETS</u>			
Investments	<u>\$ -</u>	<u>\$ 177,766</u>	<u>\$ 177,766</u>
Total Restricted Assets	<u>\$ -</u>	<u>\$ 177,766</u>	<u>\$ 177,766</u>
<u>NONCURRENT ASSETS</u>			
Unamortized bond issue costs	\$ 34,846	\$ 103,017	\$ 137,863
Capital assets			
Land and other non-depreciable assets	6,918,770	280,000	7,198,770
Capital assets, net of depreciation	<u>6,013,778</u>	<u>2,607,118</u>	<u>8,620,896</u>
Total Noncurrent Assets	<u>\$ 12,967,394</u>	<u>\$ 2,990,135</u>	<u>\$ 15,957,529</u>
Total Assets	<u>\$ 17,915,590</u>	<u>\$ 5,219,792</u>	<u>\$ 23,135,382</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 ASSETS
June 30, 2011

Page 2 of 2

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable	\$ 16,607	\$ 2,357	\$ 18,964
Other accrued expenses	2,890		2,890
Interest payable	30,204		30,204
Deferred revenue	204,188	399,291	603,479
Compensated absences	21,225		21,225
Bonds, notes and loans payable	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total Current Liabilities	<u>\$ 330,114</u>	<u>\$ 401,648</u>	<u>\$ 731,762</u>
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>			
Interest payable	\$ -	\$ 2,690	\$ 2,690
Bonds, notes and loans payable	<u>-</u>	<u>38,000</u>	<u>38,000</u>
Total Current Liabilities (Payable From Restricted Assets)	<u>\$ -</u>	<u>\$ 40,690</u>	<u>\$ 40,690</u>
<u>NONCURRENT LIABILITIES</u>			
Compensated absences	\$ 1,959	\$ -	\$ 1,959
Bonds, notes and loans payable	2,455,000	1,067,000	3,522,000
Less: deferred cost of advance refunding	<u>-</u>	<u>(11,231)</u>	<u>(11,231)</u>
Total Noncurrent Liabilities	<u>\$ 2,456,959</u>	<u>\$ 1,055,769</u>	<u>\$ 3,512,728</u>
Total Liabilities	<u>\$ 2,787,073</u>	<u>\$ 1,498,107</u>	<u>\$ 4,285,180</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 10,422,548	\$ 1,793,349	\$ 12,215,897
Restricted	1,888,480	175,076	2,063,556
Unrestricted	<u>2,817,489</u>	<u>1,753,260</u>	<u>4,570,749</u>
Total Net Assets	<u>\$ 15,128,517</u>	<u>\$ 3,721,685</u>	<u>\$ 18,850,202</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, 2011

<u>FUNCTIONS/PROGRAMS</u>	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES	OPERATING	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
		FOR SERVICES	GRANTS AND CONTRIBUTIONS			
<u>Governmental Activities</u>						
General government	\$ 1,017,339	\$ 313,559	\$ 105,670	\$ (598,110)	\$ -	\$ (598,110)
Public safety	1,084,335	24,256		(1,060,079)		(1,060,079)
Public works	186,613			(186,613)		(186,613)
Recreation and culture	309,938			(309,938)		(309,938)
Beach preservation	639,231			(639,231)		(639,231)
Interest	122,428	-	-	(122,428)	-	(122,428)
Total Governmental Activities	<u>\$ 3,359,884</u>	<u>\$ 337,815</u>	<u>\$ 105,670</u>	<u>\$ (2,916,399)</u>	<u>\$ -</u>	<u>\$ (2,916,399)</u>
<u>Business Activities</u>						
Water and sewer	\$ 1,186,486	\$ 1,356,655	\$ -	\$ -	\$ 170,169	\$ 170,169
Newsletter	1,776	747	-	-	(1,029)	(1,029)
Total Business-Type Activities	<u>\$ 1,188,262</u>	<u>\$ 1,357,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,140</u>	<u>\$ 169,140</u>
Total Government	<u>\$ 4,548,146</u>	<u>\$ 1,695,217</u>	<u>\$ 105,670</u>	<u>\$ (2,916,399)</u>	<u>\$ 169,140</u>	<u>\$ (2,747,259)</u>
<u>General Revenues</u>						
Taxes						
				\$ 999,417	\$ -	\$ 999,417
				162,921		162,921
				501,814		501,814
				156,975		156,975
				641,001		641,001
			Intergovernmental revenues	322,194		322,194
			Investment earnings	23,491	6,962	30,453
			Rental revenues	50,850		50,850
			Miscellaneous revenues	55,901	198	56,099
			Total General Revenues	<u>\$ 2,914,564</u>	<u>\$ 7,160</u>	<u>\$ 2,921,724</u>
			<u>CHANGE IN NET ASSETS</u>	\$ (1,835)	\$ 176,300	\$ 174,465
			<u>NET ASSETS - BEGINNING</u>	<u>15,130,352</u>	<u>3,545,385</u>	<u>18,675,737</u>
			<u>NET ASSETS - ENDING</u>	<u>\$ 15,128,517</u>	<u>\$ 3,721,685</u>	<u>\$ 18,850,202</u>

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	GENERAL FUND	LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>ASSETS</u>						
Cash and cash equivalents	\$ 2,912,266	\$ 1,205,266	\$ 411,107	\$ 98,950	\$ 310,110	\$ 4,937,699
Receivables						
Taxes	43,999					43,999
Accounts	41,841					41,841
Other	16,679					16,679
	<u>3,014,785</u>	<u>1,205,266</u>	<u>411,107</u>	<u>98,950</u>	<u>310,110</u>	<u>5,040,218</u>
Total Assets	<u>\$ 3,014,785</u>	<u>\$ 1,205,266</u>	<u>\$ 411,107</u>	<u>\$ 98,950</u>	<u>\$ 310,110</u>	<u>\$ 5,040,218</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts payable	\$ 16,607	\$	\$	\$	\$	\$ 16,607
Other accrued expenses	2,890					2,890
Deferred revenue	248,187					248,187
Due to other funds	92,022					92,022
	<u>359,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,706</u>
Total Liabilities	<u>\$ 359,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,706</u>
<u>Fund Balances</u>						
Restricted	\$	\$ 1,205,266	\$ 411,107	\$	\$ 272,107	\$ 1,888,480
Committed	445,833			98,950		544,783
Assigned					38,003	38,003
Unassigned	2,209,246					2,209,246
	<u>2,655,079</u>	<u>1,205,266</u>	<u>411,107</u>	<u>98,950</u>	<u>310,110</u>	<u>4,680,512</u>
Total Fund Balances	<u>\$ 2,655,079</u>	<u>\$ 1,205,266</u>	<u>\$ 411,107</u>	<u>\$ 98,950</u>	<u>\$ 310,110</u>	<u>\$ 4,680,512</u>
Total Liabilities and Fund Balances	<u>\$ 3,014,785</u>	<u>\$ 1,205,266</u>	<u>\$ 411,107</u>	<u>\$ 98,950</u>	<u>\$ 310,110</u>	<u>\$ 5,040,218</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 ASSETS
June 30, 2011

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	4,680,512
Amounts reported for Governmental Activities in the Statement of Net Assets 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.		
		12,932,548
Revenues for delinquent property taxes are deferred in the governmental funds because they will not be received within sixty days of the Government's year end.		
		43,999
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences	\$	(23,184)
Accrued interest		(30,204)
Bonds payable, net of unamortized bond issuance costs		<u>(2,475,154)</u>
		<u>(2,528,542)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>15,128,517</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, 2011

Page 1 of 2

	GENERAL FUND	LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>REVENUES</u>						
General property taxes	\$ 985,791	\$	\$	\$	\$	\$ 985,791
Local option sales taxes	162,921					162,921
Accommodations taxes	38,832	283,162			179,820	501,814
Hospitality taxes			156,975			156,975
Licenses and permits	641,001					641,001
Charges for services	313,559					313,559
Fines and forfeitures	24,256					24,256
Intergovernmental revenues	273,319				48,875	322,194
Grants	5,670			100,000		105,670
Interest revenues	11,065	6,624	2,579	2,274	949	23,491
Rental revenues	50,850					50,850
Miscellaneous revenues	6,890		7,290	2,160	39,561	55,901
	<u>2,514,154</u>	<u>289,786</u>	<u>166,844</u>	<u>104,434</u>	<u>269,205</u>	<u>3,344,423</u>
Total Revenues	\$ 2,514,154	\$ 289,786	\$ 166,844	\$ 104,434	\$ 269,205	\$ 3,344,423
<u>EXPENDITURES</u>						
Current						
General government	\$ 960,957	\$	\$	\$	\$	\$ 960,957
Public safety	887,248				83,683	970,931
Public works	163,214					163,214
Recreation and culture			54,684	111,275	86,361	252,320
Beach preservation		7,063				7,063
Debt service						
Principal	50,000					50,000
Interest	122,965					122,965
Capital outlay	78,163		5,175	305,629	-	388,967
	<u>2,262,547</u>	<u>7,063</u>	<u>59,859</u>	<u>416,904</u>	<u>170,044</u>	<u>2,916,417</u>
Total Expenditures	\$ 2,262,547	\$ 7,063	\$ 59,859	\$ 416,904	\$ 170,044	\$ 2,916,417

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, 2011

Page 2 of 2

	GENERAL FUND	LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND	HOSPITALITY TAX SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	\$ 251,607	\$ 282,723	\$ 106,985	\$ (312,470)	\$ 99,161	\$ 428,006
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	203,487					203,487
Transfers out	_____	(50,000)	(103,487)	_____	(50,000)	(203,487)
Total Other Financing Sources (Uses)	\$ 203,487	\$ (50,000)	\$ (103,487)	\$ -	\$ (50,000)	\$ -
<u>NET CHANGE IN FUND BALANCES</u>	\$ 455,094	\$ 232,723	\$ 3,498	\$ (312,470)	\$ 49,161	\$ 428,006
<u>FUND BALANCES - BEGINNING</u>	2,199,985	972,543	407,609	411,420	260,949	4,252,506
<u>FUND BALANCES - ENDING</u>	<u>\$ 2,655,079</u>	<u>\$ 1,205,266</u>	<u>\$ 411,107</u>	<u>\$ 98,950</u>	<u>\$ 310,110</u>	<u>\$ 4,680,512</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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL	\$ 428,006
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 Assets.	388,967
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(898,161)
Repayment of debt decreases long-term liabilities in the Statement of Activities.	50,000
Amortization of debt issue costs included in the governmental activities in the Statement of Assets.	(1,353)
Decrease in accrued compensated absences is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Assets.	16,543
Decrease in accrued interest payable is reported as expenditures in governmental funds but as decrease in liabilities in the Statement of Net Assets.	537
Increase in delinquent property tax revenues are reported as revenues in the Statement of Net Assets, but are deferred in the governmental funds.	<u>13,626</u>
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ (1,835)</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 ASSETS
PROPRIETARY FUNDS
June 30, 2011

Page 1 of 2

<u>ASSETS</u>	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>WATER AND SEWER</u>	<u>NEWSLETTER</u>	<u>TOTAL</u>
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	\$ 1,783,042	\$ 10,048	\$ 1,793,090
Accounts receivable	156,375		156,375
Inventory	10,404		10,404
Due from other funds	<u>92,022</u>		<u>92,022</u>
Total Current Assets	<u>\$ 2,041,843</u>	<u>\$ 10,048</u>	<u>\$ 2,051,891</u>
<u>RESTRICTED ASSETS</u>			
Investments	<u>\$ 177,766</u>	<u>\$ -</u>	<u>\$ 177,766</u>
Total Restricted Assets	<u>\$ 177,766</u>	<u>\$ -</u>	<u>\$ 177,766</u>
<u>NONCURRENT ASSETS</u>			
Unamortized bond issue costs	\$ 103,017	\$ -	\$ 103,017
Capital assets			
Land	280,000		280,000
Plant, building and improvements	4,709,987		4,709,987
Equipment	925,090		925,090
Accumulated depreciation	<u>(3,027,959)</u>		<u>(3,027,959)</u>
Total Noncurrent Assets	<u>\$ 2,990,135</u>	<u>\$ -</u>	<u>\$ 2,990,135</u>
Total Assets	<u>\$ 5,209,744</u>	<u>\$ 10,048</u>	<u>\$ 5,219,792</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 ASSETS
PROPRIETARY FUNDS
June 30, 2011

Page 2 of 2

<u>LIABILITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>WATER AND SEWER</u>	<u>NEWSLETTER</u>	<u>TOTAL</u>
<u>CURRENT LIABILITIES</u>			
Accounts payable	\$ 2,357	\$	\$ 2,357
Deferred revenue	399,291	_____	399,291
Total Current Liabilities	\$ 401,648	\$ -	\$ 401,648
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>			
Interest payable	\$ 2,690	\$	\$ 2,690
Bonds payable	38,000	_____	38,000
Total Current Liabilities (Payable From Restricted Assets)	\$ 40,690	\$ -	\$ 40,690
<u>NONCURRENT LIABILITIES</u>			
Bonds and loans payable	\$ 1,067,000	\$	\$ 1,067,000
Less: deferred cost of advance refunding	(11,231)	_____	(11,231)
Total Noncurrent Liabilities	\$ 1,055,769	\$ -	\$ 1,055,769
Total Liabilities	\$ 1,498,107	\$ -	\$ 1,498,107
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 1,793,349	\$	\$ 1,793,349
Restricted for debt service	175,076		175,076
Unrestricted	1,743,212	10,048	1,753,260
Total Net Assets	\$ 3,711,637	\$ 10,048	\$ 3,721,685

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 FUND NET ASSETS
PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>WATER AND SEWER</u>	<u>NEWSLETTER</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>			
Charges for services	\$ 1,356,655	\$ 747	\$ 1,357,402
Total Operating Revenues	<u>\$ 1,356,655</u>	<u>\$ 747</u>	<u>\$ 1,357,402</u>
<u>OPERATING EXPENSES</u>			
Personal services	\$ 429,642	\$	\$ 429,642
Operating expenses	466,872	1,776	468,648
Depreciation and amortization	<u>233,870</u>	<u></u>	<u>233,870</u>
Total Operating Expenses	<u>\$ 1,130,384</u>	<u>\$ 1,776</u>	<u>\$ 1,132,160</u>
Operating income (loss)	<u>\$ 226,271</u>	<u>\$ (1,029)</u>	<u>\$ 225,242</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest income	\$ 6,946	\$ 16	\$ 6,962
Miscellaneous income	198		198
Interest expense	<u>(56,102)</u>	<u></u>	<u>(56,102)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (48,958)</u>	<u>\$ 16</u>	<u>\$ (48,942)</u>
<u>CHANGE IN NET ASSETS</u>	\$ 177,313	\$ (1,013)	\$ 176,300
<u>TOTAL NET ASSETS - BEGINNING</u>	<u>3,534,324</u>	<u>11,061</u>	<u>3,545,385</u>
<u>TOTAL NET ASSETS - ENDING</u>	<u>\$ 3,711,637</u>	<u>\$ 10,048</u>	<u>\$ 3,721,685</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, 2011

Page 1 of 2

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>WATER AND SEWER</u>	<u>NEWSLETTER</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 1,326,932	\$ 747	\$ 1,327,679
Cash paid to suppliers for goods and services	(429,642)	(1,776)	(431,418)
Cash paid to employees	(469,376)		(469,376)
Net Cash Provided By Operating Activities	<u>\$ 427,914</u>	<u>\$ (1,029)</u>	<u>\$ 426,885</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Interest paid on long-term debt	\$ (56,102)	\$	\$ (56,102)
Purchases of property, plant & equipment	(94,263)		(94,263)
Due from other funds	(75,202)		(75,202)
Net Cash Flows From Capital And Related Financing Activities	<u>\$ (225,567)</u>	<u>\$ -</u>	<u>\$ (225,567)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest income	\$ 6,946	\$ 16	\$ 6,962
Miscellaneous	198	-	198
Net Cash Flows From Investing Activities	<u>\$ 7,144</u>	<u>\$ 16</u>	<u>\$ 7,160</u>
<u>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</u>			
	\$ 209,491	\$ (1,013)	\$ 208,478
<u>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>1,751,317</u>	<u>11,061</u>	<u>1,762,378</u>
<u>CASH AND EQUIVALENTS AT END OF YEAR</u>	<u>\$ 1,960,808</u>	<u>\$ 10,048</u>	<u>\$ 1,970,856</u>
<u>CLASSIFIED AS:</u>			
Current assets	\$ 1,783,042	\$ 10,048	\$ 1,793,090
Restricted assets	177,766		177,766
	<u>\$ 1,960,808</u>	<u>\$ 10,048</u>	<u>\$ 1,970,856</u>

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For The Fiscal Year Ended June 30, 2011

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>NEWSLETTER</u>	<u>TOTAL</u>
<u>OPERATING INCOME</u>	\$ 226,271	\$ (1,029)	\$ 225,242
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	227,528		227,528
Amortization	6,342		6,342
 <u>(INCREASE) DECREASE IN ASSETS</u>			
Accounts receivable	(32,277)		(32,277)
Inventory	3,647		3,647
 <u>INCREASE (DECREASE) IN LIABILITIES</u>			
Accounts payable	(6,151)		(6,151)
Deferred revenues	2,554		2,554
 Net Cash Provided (Used) By Operating Activities	 <u>\$ 427,914</u>	 <u>\$ (1,029)</u>	 <u>\$ 426,885</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, 2011

Introduction

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 basic 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
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

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.

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

The government-wide basic financial statements (i.e., the Statement of Net Assets 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, 2011

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.

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.

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 needed.

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. The following major and non-major funds and fund types are used by the Town.

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's major and non-major governmental fund types are as follows:

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

-28-

1. Summary of Significant Accounting Policies (Continued)

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

The General Fund, a major 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 Local Accommodations Tax Fund, a major 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 major 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 Capital Projects Fund, a major special revenue fund, is used to account for the acquisition and subsequent development of the Bay Creek Park.

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. The Town applies all applicable GASB pronouncements, as well as the requirements of the Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARB"), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements, but has elected not to apply FASB pronouncements issued after November 30, 1989, as allowable by GAAP.

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:

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

-29-

1. Summary of Significant Accounting Policies (Continued)

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

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:

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

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, 2011

-30-

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. Long-Term Debt, Unamortized Bond Costs, and Bond Discounts/Premiums

All payables, accrued liabilities, and long-term obligations are reported in the government-wide basic financial statements. The portion applicable to the Proprietary Funds is also recorded in the Proprietary Fund basic financial statements. The current payables and accrued liabilities from governmental funds are reported in the governmental basic financial statements.

In the governmental-wide basic financial statements for the Primary government, debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount and deferred advance refunding amounts. Bond issuance costs are included in other assets (if material).

In the fund basic financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

5. 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.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

-31-

1. Summary of Significant Accounting Policies (Continued)

- C. Assets, Liabilities and Equity (Continued)

6. Fund Balance

The GASB has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The following categories of fund balance are now being used in the fund level financial statements of the governmental funds:

Nonspendable fund balance

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

Restricted fund balance

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

Committed fund balance

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

Assigned fund balance

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

-32-

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Fund Balance (Continued)

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.

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.

7. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are classified as invested in capital assets net of related debt, restricted and unrestricted. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net assets component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

8. 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.

9. 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.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

-33-

2. Stewardship, Compliance and Accountability (Continued)

A. Budgets and Budgetary Data (Continued)

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.

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 \$1,965,063 and the corresponding bank balance was \$1,964,920.

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, 2011, the Town was exposed to custodial risk as follows:

Uninsured and collateral held by pledging bank's bond department not in Town's name \$1, 714,920.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. Detailed Notes On All Funds and Activities (Continued)
A. Deposits and Investments (Continued)

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, 2011, the Town's unrestricted investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$3,365,726 and certificates of deposit in the amount of \$1,400,000. 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, 2011, 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 \$177,766.

Custodial Credit Risk – For investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Since deposits with the SCLGIP are not evidenced by securities that exist in physical or book-entry form, they are not exposed to custodial credit risk.

The \$1,400,000 invested in certificates of deposit is uninsured and collateral held by the pledging bank's bond department not in the Town's name \$1,400,000.

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.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

B. Receivables, Uncollectible Accounts, and Deferred Revenue

1. Enterprise Receivables, Uncollectible Accounts, and Deferred 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.

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

2. Governmental Receivables, Uncollectible Accounts and Deferred 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.

Deferred revenues reported in the Governmental Fund include five months garbage service billed in advance.

3. Property Taxes Receivable, Deferred 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 revenue.

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, 2011

3. Detailed Notes On All Funds and Activities (Continued)
 - B. Receivables, Uncollectible Accounts, and Deferred Revenue (Continued)
 4. Amounts Due From Other Governments and Deferred Revenue

Amounts due from other governments are primarily comprised of amounts due from state grants. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue and revenue received more than 60 days following year end (unavailable to pay liabilities of the current period). Deferred revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met.
 5. 2010 Reassessment

During a reassessment year, the Town is required to rollback taxes based on a calculation established by state law. Using the best information available at the time, the Town calculated the millage rate for 2010, a year of reassessment. Subsequently, it was determined that the millage rate was not rolled back sufficiently and the Town billed and collected too much tax for 2010 taxes. The Town has approved a credit be given on the 2011 tax bills for overbilling of approximately \$72,491. The average credit to each taxpayer will be \$26.

The excess collections to be applied as a credit to the 2011 tax bills represent a prepayment of subsequent year's property taxes and, accordingly, \$72,941 has been recorded as deferred revenue at June 30, 2011.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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	\$ 6,868,771	\$ -	\$ -	\$ 6,868,771
Land improvements	49,999			49,999
Construction in progress	<u>143,214</u>	<u>(143,214)</u>	<u>-</u>	<u>-</u>
 Total Assets Not Depreciated	 <u>\$ 7,061,984</u>	 <u>\$ (143,214)</u>	 <u>\$ -</u>	 <u>\$ 6,918,770</u>
Capital assets depreciated:				
Buildings	\$ 598,838	\$ 30,640	\$ -	\$ 629,478
Improvements other than buildings	305,068	437,878		742,946
Machinery and equipment	1,916,571	63,663	37,236	1,942,998
Infrastructure - sidewalks - beach nourishment	<u>763,375</u> <u>6,321,684</u>	 <u>-</u>	 <u>-</u>	 <u>763,375</u> <u>6,321,684</u>
 Total Assets Depreciated	 <u>\$ 9,905,536</u>	 <u>\$ 532,181</u>	 <u>\$ 37,236</u>	 <u>\$ 10,400,481</u>
Less accumulated depreciation:				
Buildings	\$ 207,018	\$ 17,431	\$ -	\$ 224,449
Improvements other than buildings	63,067	55,458		118,525
Machinery and equipment	1,085,896	177,836	37,236	1,226,496
Infrastructure	<u>2,169,797</u>	<u>647,436</u>	<u>-</u>	<u>2,817,233</u>
 Total Accumulated Depreciation	 <u>\$ 3,525,778</u>	 <u>\$ 898,161</u>	 <u>\$ 37,236</u>	 <u>\$ 4,386,703</u>
 Total Depreciable Capital Assets, Net	 <u>\$ 6,379,758</u>	 <u>\$ (365,980)</u>	 <u>\$ -</u>	 <u>\$ 6,013,778</u>
 Total Governmental Activities Capital Assets, Net	 <u>\$ 13,441,742</u>	 <u>\$ (509,194)</u>	 <u>\$ -</u>	 <u>\$ 12,932,548</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>
<u>Business-type Activities</u>				
Capital assets not depreciated:				
Land	\$ 280,000	\$ -	\$ -	\$ 280,000
Total Assets Not Depreciated	\$ 280,000	\$ -	\$ -	\$ 280,000
Capital assets depreciated:				
Buildings	\$ 90,532	\$ -	\$ -	\$ 90,532
System infrastructure	4,619,455			4,619,455
Machinery and equipment	<u>853,423</u>	<u>94,263</u>	<u>22,597</u>	<u>925,089</u>
Total Assets Depreciated	\$ 5,563,410	\$ 94,263	\$ 22,597	\$ 5,635,076
Less accumulated depreciation:				
Buildings	\$ 40,367	\$ 4,639	\$ -	\$ 45,006
System infrastructure	2,356,132	114,781		2,470,913
Machinery and equipment	<u>426,528</u>	<u>108,108</u>	<u>22,597</u>	<u>512,039</u>
Total Accumulated Depreciation	\$ 2,823,027	\$ 227,528	\$ 22,597	\$ 3,027,958
Total Depreciable Capital Assets, Net	\$ 2,740,383	\$ (133,265)	\$ -	\$ 2,607,118
Total Business-type Assets, Net	<u>\$ 3,020,383</u>	<u>\$ (133,265)</u>	<u>\$ -</u>	<u>\$ 2,887,118</u>

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

Governmental Activities

General government	\$ 64,802
Public safety	121,402
Public works	23,524
Recreation and culture	56,265
Beach preservation	<u>632,168</u>
Total	<u>\$ 898,161</u>

Business-type Activities

Water and sewer	\$ 227,528
Total	<u>\$ 227,528</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011 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	\$ 1,105,000	\$ -	\$ -	\$ 1,105,000	\$ 38,000
Total	\$ 1,105,000	\$ -	\$ -	\$ 1,105,000	\$ 38,000
<u>Governmental Activities</u>					
Compensated absences	\$ 39,727	\$ -	\$ 16,543	\$ 23,184	\$ 21,225
General obligation bonds	2,560,000	-	50,000	2,510,000	55,000
Total	\$ 2,599,727	\$ -	\$ 66,543	\$ 2,533,184	\$ 76,225
Total Long-Term Debt	<u>\$ 3,704,727</u>	<u>\$ -</u>	<u>\$ 66,543</u>	<u>\$ 3,638,184</u>	<u>\$ 114,225</u>

Long-term debt payable at June 30, 2011 is composed of the following issues:

Revenue Bonds

\$1,405,000 - 1999 serial bonds due in installments beginning in 2003 to and including 2029; interest at 4.25% to 5.15% \$ 1,105,000

Total Revenue Bonds For Business-Type Activities \$ 1,105,000

Although principal payments on the revenue bonds are not due to bondholders annually, the Town is required to make deposits to the Debt Service Fund to satisfy the principal and interest requirements.

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%. \$ 2,510,000

Total General Obligation Bonds For Governmental Activities \$ 2,510,000

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011, including interest payments are as follows:

REVENUE BONDS PAYABLE

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012	\$ 38,000	\$ 56,102	\$ 94,102
2013	38,000	56,102	94,102
2014	38,000	56,102	94,102
2015	38,000	51,352	89,352
2016	38,000	46,602	84,602
2017-2021	241,667	225,617	467,284
2022-2026	298,333	140,312	438,645
2027-2031	<u>375,000</u>	<u>67,594</u>	<u>442,594</u>
	<u>\$ 1,105,000</u>	<u>\$ 699,783</u>	<u>\$ 1,804,783</u>

GENERAL OBLIGATION BONDS PAYABLE

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012	\$ 55,000	\$ 120,815	\$ 175,815
2013	55,000	118,450	173,450
2014	60,000	116,085	176,085
2015	60,000	113,505	173,505
2016	65,000	110,925	175,925
2017-2021	360,000	509,175	869,175
2022-2026	445,000	414,500	859,500
2027-2031	550,000	295,350	845,350
2032-2036	700,000	148,250	848,250
2037	<u>160,000</u>	<u>8,000</u>	<u>168,000</u>
	<u>\$ 2,510,000</u>	<u>\$ 1,955,055</u>	<u>\$ 4,465,055</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 \$4,429,700.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

4. Other Information

A. Employee Benefit Plans

The Town participates in the South Carolina Police Officers' Retirement System (PORS). The South Carolina Police Officers' Retirement System is a cost-sharing multiple-employer Public Employee Retirement System (PERS). Eligibility for participation in the plan requires that a police officer earn at least \$2,000 and work a minimum of 1,600 hours annually. Employees contributed 6.5% of their gross salaries from July 1, 2010 to June 30, 2011 to the plan, and the Town's contribution was 10.65% of each individual's gross salary for the year; current funding for the plan from the Town was \$52,070. The Town's current year covered payroll for police officers was \$467,830, and the total current payroll for police officers was \$468,660. Employees are vested after 5 years and are entitled to a deferred annuity commencing at age 55. Normal retirement is at age 55 with 5 years of service or 25 years of credited service. Benefit provisions are established under the authority of Title 9 of the SC Code of Laws. The benefit formula is based on 2.14% of average final compensation times the years of credited service.

Employees of the Town participate in the South Carolina Retirement System Plan for Class II Employees of the State of South Carolina. The South Carolina Retirement System (SCRS) is a cost sharing multiple-employer Public Employee Retirement System (PERS). This plan is funded on a matching basis using the actuarial method by the employee and the employer. Six and one half percent (6.5%) of all compensation from July 1, 2010 to June 30, 2011 represents the employee share. The Town contributed 9.24% of payroll; current funding for the plan from the Town was \$60,821.

The Town's current year covered payroll was \$658,233, and total current year payroll was \$691,628. Employees are vested after 5 years and are entitled to a deferred annuity commencing at age 60. Normal retirement is at age 65 or 30 years of credited service. Benefit provisions are established under the authority of Title 9 of the SC Code of Laws. The benefit formula is based on 1.82% of average final compensation times the years of credited service. The system also provides disability and life insurance benefits which are established by State Statute.

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

B. Other Postemployment Benefits (OPEB)

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

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

4. Other Information (Continued)

C. Balances and Transfers/Payments Within the Reporting Entity

1. Receivables and Payables

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

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

At June 30, 2011 there was a \$92,022 internal balance between governmental activities and business-type activities.

2. Transfers and Payments

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

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Local Accommodations Tax Special Revenue Fund	General Fund	\$ 50,000
Hospitality Tax Special Revenue Fund	General Fund	103,487
Tourism Special Revenue Fund	General Fund	<u>50,000</u>
		<u>\$ 203,487</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 2011.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

4. Other Information (Continued)

D. 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.

E. Contingencies

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

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

F. 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.

G. Construction Commitments

The Town has active construction and other projects as of June 30, 2011. The projects include the Edisto Island Hurricane and Storm Damage Reduction Feasibility Study.

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

	<u>SPENT TO DATE</u>	<u>REMAINING COMMITMENT</u>	<u>ESTIMATED COMPLETION DATE</u>
Sludge removal	\$ 42,250	\$ 42,250	June 2012
Rehab lift stations/manholes	30,265	39,735	June 2012
Water line upgrade	10,000	56,000	June 2012
Beach monitoring	42,905	70,557	April 2013
Feasibility Study	594,000	281,000	December 2015

H. Subsequent Events

Subsequent events have been evaluated by management of the Town through October 25, 2011, which represents the date the financial statements were available to be issued.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For The Fiscal Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>				
General property taxes	\$ 874,452	\$ 874,452	\$ 985,791	\$ 111,339
Local option sales taxes	171,500	171,500	162,921	(8,579)
Other taxes	38,000	38,000	38,832	832
Licenses and permits	584,060	584,060	641,001	56,941
Charges for services	324,300	325,040	313,559	(11,481)
Fines and forfeitures	47,000	47,000	24,256	(22,744)
Intergovernmental revenues	274,925	274,925	273,319	(1,606)
Grants	0	0	5,670	5,670
Interest revenues	7,500	7,500	11,065	3,565
Rental revenues	52,800	49,125	50,850	1,725
Miscellaneous revenues	2,000	2,000	6,890	4,890
	\$ 2,376,537	\$ 2,373,602	\$ 2,514,154	\$ 140,552
<u>EXPENDITURES</u>				
Current				
General government				
Town administration	\$ 775,020	\$ 793,700	\$ 745,967	\$ 47,733
Municipal court	98,741	95,541	80,037	15,504
Building inspector	216,755	202,205	191,545	10,660
Public safety				
Police department	366,996	373,466	343,720	29,746
Fire department	474,420	479,180	463,491	15,689
Public works				
Streets and roads	220,325	229,350	163,214	66,136
Contingency	115,655	92,419		92,419
Other	32,550	31,666	23,445	8,221
Debt service				
Principal	50,000	50,000	50,000	-
Interest	122,965	122,965	122,965	-
Capital outlay	15,000	15,000	78,163	(63,163)
	\$ 2,488,427	\$ 2,485,492	\$ 2,262,547	\$ 222,945
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER EXPENDITURES</u>	\$ (111,890)	\$ (111,890)	\$ 251,607	\$ 363,497
<u>OTHER FINANCIAL SOURCES (USES)</u>				
Transfers in	\$ 190,000	\$ 190,000	\$ 203,487	\$ 13,487
	\$ 190,000	\$ 190,000	\$ 203,487	\$ 13,487
<u>NET CHANGE IN FUND BALANCES</u>	\$ 78,110	\$ 78,110	\$ 455,094	\$ 376,984
<u>FUND BALANCES - BEGINNING</u>	2,199,985	2,199,985	2,199,985	-
<u>FUND BALANCES - ENDING</u>	\$ 2,278,095	\$ 2,278,095	\$ 2,655,079	\$ 376,984

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	TOURISM FUND	ALCOHOL PERMIT FUND	FIRE DEPARTMENT I&I FUND	VOLUNTEER FIRE DEPARTMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and cash equivalents	\$ 245,671	\$ 14,549	\$ 11,887	\$ 38,003	\$ 310,110
Total Assets	\$ 245,671	\$ 14,549	\$ 11,887	\$ 38,003	\$ 310,110
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Fund Balances</u>					
Restricted	\$ 245,671	\$ 14,549	\$ 11,887	\$ -	\$ 272,107
Assigned	-	-	-	38,003	38,003
Total Fund Balances	\$ 245,671	\$ 14,549	\$ 11,887	\$ 38,003	\$ 310,110
Total Liabilities and Fund Balances	\$ 245,671	\$ 14,549	\$ 11,887	\$ 38,003	\$ 310,110

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, 2011

	TOURISM FUND	ALCOHOL PERMIT FUND	FIRE DEPARTMENT I&I FUND	VOLUNTEER FIRE DEPARTMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Accommodations taxes	\$ 179,820	\$	\$	\$	\$ 179,820
Intergovernmental revenues		21,050	27,825		48,875
Donations and special events				39,561	39,561
Interest revenues	680	106	117	46	949
Total Revenues	\$ 180,500	\$ 21,156	\$ 27,942	\$ 39,607	\$ 269,205
<u>EXPENDITURES</u>					
Current					
Public safety	\$	\$	\$ 48,488	\$ 35,195	\$ 83,683
Recreation and culture	72,770	13,591			86,361
Total Expenditures	\$ 72,770	\$ 13,591	\$ 48,488	\$ 35,195	\$ 170,044
<u>EXCESS OF REVENUES</u>					
<u>OVER EXPENDITURES</u>	\$ 107,730	\$ 7,565	\$ (20,546)	\$ 4,412	\$ 99,161
<u>OTHER FINANCING</u>					
<u>SOURCES (USES)</u>					
Transfer out	(50,000)	-	-	-	(50,000)
Total Other Financing Sources (Uses)	\$ (50,000)	\$ -	\$ -	\$ -	\$ (50,000)
<u>NET CHANGE IN</u>					
<u>FUND BALANCES</u>	\$ 57,730	\$ 7,565	\$ (20,546)	\$ 4,412	\$ 49,161
<u>FUND BALANCES - BEGINNING</u>	187,941	6,984	32,433	33,591	260,949
<u>FUND BALANCES - ENDING</u>	\$ 245,671	\$ 14,549	\$ 11,887	\$ 38,003	\$ 310,110

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF FINES AND ASSESSMENTS
For The Year Ended June 30, 2011

Fines collected	\$ <u>9,289</u>
Total assessment and surcharges to be collected	\$ <u>15,585</u>
State assessment and surcharges	\$ 14,054
Local assessment and surcharges	<u>1,531</u>
Total assessment and surcharges collected	\$ <u>15,585</u>
State assessment and surcharges remitted	\$ 13,304
Local assessment and surcharges retained by Town for victims assistance	1,531
Audit fee withheld from remittance	<u>750</u>
Total	\$ <u>15,585</u>
Local assessment sent to Colleton County under agreement to provide victims assistance	\$ <u>1,531</u>

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

<u>FEDERAL GRANTOR</u> <u>PASSTHROUGH GRANTOR/</u> <u>PROGRAM TITLE</u>	<u>FEDERAL</u> <u>CFDA</u> <u>NUMBER</u>	<u>PASSTHROUGH</u> <u>GRANTOR'S</u> <u>NUMBER</u>	<u>TOTAL</u> <u>EXPENDITURES</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
S. C. Department of Health and Environmental Control and Catawba Regional Development Corporation/Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	
Revolving Loan Fund			\$ 77,884
Grant			<u>100,000</u>
			<u>\$ 177,884</u>



K. EVE McCOY, CPA, LLC
1518 Lady Street
Columbia, South Carolina 29201
803-256-9100

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

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

I have audited 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, 2011, which collectively comprise the Town of Edisto Beach's basic financial statements and have issued my report thereon dated October 25, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Edisto Beach's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Edisto Beach's internal control over financial reporting.

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 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

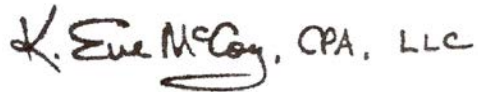
Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 1.

I noted certain matters that I reported to management of the Town of Edisto Beach in a separate letter dated October 25, 2011.

The Town of Edisto Beach's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Town of Edisto Beach's response and, accordingly, I express no opinion on it.

This report is intended solely for the information of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of K. Eve McCoy, CPA, LLC. The signature is written in black ink and includes the name 'K. Eve McCoy', the title 'CPA', and the firm name 'LLC'.

October 25, 2011

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2011

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. One instance of noncompliance was disclosed during the audit of the basic financial statements, reported as Finding 1.
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

Reportable Conditions:

1. *Condition:* The rollback millage for 2010 tax assessments, a year of reassessment, was not calculated in accordance with state law.

Criteria: Because of the increase in values during reassessment, state law requires that local government reduce the millage rate (i.e. tax rate or levy) to what is called a rollback millage. In the year of reassessment the millage rate for all real and personal property must not exceed the rollback millage, except that the rollback millage may be increased by the percentage increase in the consumer price index and the percentage increase in the population for the year immediately preceding the year of reassessment.

Cause: Estimates were used in the Town's formula for calculating rollback millage. Variables are not allowed under state statute in calculating the rollback millage.

Effect: The millage rate used exceeded the millage rate allowed under state law.

THE TOWN OF EDISTO BEACH
Edisto Beach, South Carolina

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2011

FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Reportable Conditions: (Continued)

1. *Recommendation:* The Town should adhere to applicable property tax laws and evaluate its options for appropriate relief.

Management's Response: The Town concurs with the auditor's finding and subsequent to June 30, 2011 has passed Ordinance #2011-38 to credit/refund the amount overbilled to taxpayers. Although there were extenuating circumstances why the millage rate was not rolled back sufficiently, ultimately it is the Town's responsibility. The Town will work more closely with the County Assessor and County Auditor to ensure timely and correct data is utilized in future millage rate calculations.

FINDINGS - FEDERAL AWARD PROGRAM AUDIT

Not applicable.



K. EVE McCOY, CPA, LLC
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October 25, 2011

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

I have audited the financial statements of the Town of Edisto Beach for the year ended June 30, 2011, and have issued my report thereon dated October 25, 2011. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U. S. Generally Accepted Auditing Standards

As stated in my engagement letter dated August 1, 2011, my responsibility, as described by assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U. S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Town of Edisto Beach. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town of Edisto Beach are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year except for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* discussed in Note 1.C.6 to the financial statements. I noted no transactions entered into by the Town of Edisto Beach during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

I evaluated the key factors and assumptions used to develop the accounting estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Town of Edisto Beach's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Town of Edisto Beach, either individually or in the aggregate, indicate matters that could have a significant effect on the Town of Edisto Beach's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town of Edisto Beach's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

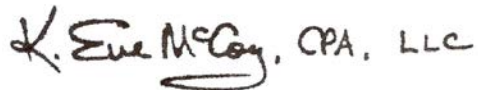
Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Edisto Beach's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of the Mayor and Town Council and management of the Town of Edisto Beach and is not intended to be and should not be used by anyone other than these specified parties.

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

October 25, 2011



K. EVE McCOY, CPA, LLC

1518 Lady Street
Columbia, South Carolina 29201
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The Mayor and Town Council
The Town of Edisto Beach
Edisto Beach, South Carolina

I have completed my audit of the financial records of the Town of Edisto Beach for the fiscal year ended June 30, 2011. The following came to my attention during the course of my fieldwork.

Taxes Collected By The County

In order to provide greater accountability over Town tax revenue, I recommend that Town management obtain and review a copy of the original tax abstract each year to detect any errors and/or omissions.

I appreciate the courtesy and assistance provided to us by the staff of the Town during the course of my audit procedures. Please call if I can be of further assistance.

K. Eve McCoy, CPA, LLC

October 25, 2011