

**COLLETON COUNTY,
SOUTH CAROLINA**

**BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
OTHER SUPPLEMENTARY FINANCIAL INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2007

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Independent Auditor's Report

To the Members of County Council
Colleton County, South Carolina
Walterboro, South Carolina

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of **Colleton County, South Carolina**, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Colleton County, South Carolina's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colleton County Commission on Alcohol and Drug Abuse, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of **Colleton County, South Carolina**, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, on our consideration of **Colleton County, South Carolina's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 conjunction with this report in considering the results of our audit.

To the Members of County Council
Colleton County, South Carolina
Walterboro, South Carolina
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The management's discussion and analysis and the budgetary comparison information on pages 3 through 11 and 45 through 46, 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. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Colleton County, South Carolina's** basic financial statements. The combining nonmajor fund, fiduciary fund and discretely presented component unit statements, listed in the table of contents under Other Supplementary Financial Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Court Fines, Assessments and Surcharges listed in the table of contents under Other Supplementary Financial Information is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents under Other Supplementary Financial Information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **Colleton County, South Carolina**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Bryan, Truesdale, Adkins & Williams, PA

November 29, 2007

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

As management of Colleton County, South Carolina, (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Colleton County for the fiscal year ending June 30, 2007. Please read this information in conjunction with the detail statements and notes to the financial statements in order to achieve better understanding of the County's financial performance for the fiscal year.

Financial Highlights

- The County's total general fund assets were \$20,669,771 as of June 30, 2007, compared to \$21,017,599 at the end of the previous year.
- The County's total general fund liabilities at June 30, 2007, were \$13,820,993 compared to \$14,745,485 at the end of the previous year.
- As of the close of the current fiscal year, Colleton County Governmental Funds reported combined ending fund balances of \$16,264,841. This amount represents a total decrease of 14.89% from the prior year fund balances. This decrease is directly related to the expenditure of General Obligation Bond Proceeds for Capital Improvements. The composition of fund balances at June 30, 2007, is as follows:

General Fund		
Unreserved and available for governmental operations	\$ 6,836,588	42.04%
Reserved for prepaid expenses	12,190	.07%
Special Revenue Funds		
Designated for future landfill postclosure	270,844	1.67%
Undesignated	3,534,038	21.73%
Capital Projects Funds		
Reserved for future capital expenditures	3,659,754	22.50%
Undesignated	543,327	3.34%
Debt Service funds available for future General Obligation Bond payments	<u>1,408,100</u>	<u>8.65%</u>
	<u>\$ 16,264,841</u>	<u>100.00%</u>

- Colleton County's long-term debt position decreased (13.34%) in total during fiscal year ending June 30, 2007. This amount is representative of principal debt retirements related to Capital Lease purchases of \$963,794 (9.08%), General Obligation Bond (GOB) debt of \$1,033,487 (9.08%), Special Source Revenue Bond (SSRB) debt of \$455,698 (12.30%) and Notes Payable debt related to the VA Nursing Home of \$129,597 (8.57%), for a combined total decrease of \$2,582,576 related to principal debt retirements during the fiscal year ending June 30, 2007. In addition, the long-term debt liability related to Compensated Absence increased in total (3.76%) for the fiscal year.
- Colleton County's Component Unit, Fire & Rescue Commission long-term debt position decreased (10.73%) related to the retirement of the principal portion of outstanding debt issuances for General Obligation Bonds the fiscal year ending June 30, 2007. The long-term debt related to Compensated Absences for the Fire & Rescue Commission increased (10.43%) for the fiscal year.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

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Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Colleton County's basic financial statements which are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

Government-wide Financial Statements - Government-wide financial statements are designed to provide readers with a broad overview of the financial position of Colleton County and are similar to financial statements issued in the private sector. They include a Statement of Net Assets and a Statement of Activities. These statements appear on pages 12 to 14, of this report.

Component Units, which are other governmental units over which the County (the Council, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column in the government-wide statements and as combining statements of net assets and of activities in the fund financial statements. The focus of the statements is clearly on the Primary Government and the presentation allows the reader to address the relative relationship with the Component Units to the primary government. The Component Units to the primary government are the Colleton County Alcohol and Drug Commission, Colleton County Memorial Library, and Colleton County Fire and Rescue Commission.

The Statement of Net Assets shows the County's assets less its liabilities at June 30, 2007. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial position.

The Statement of Activities follows the statement of net assets and presents information showing how the net assets changed during the fiscal year. The statement presents all underlying events, which give rise to the change, regardless of the timing of related cash flows. Some included items, such as accounts payable or earned but unused vacation leave, will produce changes in cash in a future fiscal period. This report includes all major and non-major funds of the County.

Both statements attempt to distinguish functions of Colleton County Government that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The County has no business-type activities.

Governmental activities reported in the statements include general government, judicial, public safety, streets and highways, sanitation, recreation and culture, health and human services, intergovernmental, and economic development.

Fund Financial Statements – 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. Like other state and local governments, Colleton County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Colleton County Government can be divided into two categories: governmental and fiduciary.

Governmental Funds – Governmental funds, presented on pages 15 to 17, essentially account for the same functions as those reported under the government-wide statement of net assets and statement of activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of available resources as well as on the balance available at the end of the fiscal year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating Colleton County's near-term financing requirements and available resources.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

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By comparing functions between the two sets of statements for governmental funds and governmental activities, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

Governmental funds individually presented in Colleton County Government's statements include one major fund, the Colleton County General Fund. Although there are many smaller funds in the Colleton County government reporting system, they have been presented in a total column termed "Other Governmental Funds". Combining statements for these other governmental funds have been presented on pages 47 to 56 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Colleton County's own programs. The basic fiduciary fund financial statements can be found on page 57 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements. Notes are presented on pages 21 to 44 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The government-wide statements encompass all the funds of the county, not just the general operational fund. In the case of Colleton County, total assets exceeded liabilities by \$33,851,860 at the close of the June 30, 2007, fiscal year, as compared to \$30,440,833 at June 30, 2006.

\$21,873,770 (64.62%) represents investment in capital assets (e.g. land, buildings, machinery and equipment) for Governmental Activities, less any related debt used to acquire those assets that is still outstanding at June 30, 2007, as compared to \$19,878,746 (65.30%) at June 30, 2006.

Although the County's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities. At June 30, 2007, the County has net assets restricted for Debt Service in the amount of \$1,481,952 (4.38%) of the total net assets, as compared to \$1,039,308 (3.41%) restricted at June 30, 2006.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

**Colleton County, South Carolina
Net Assets June 30, 2007 and 2006**

	Governmental Activities	
	2007	2006 *
Assets:		
Current and other assets	\$ 33,075,017	\$ 36,286,625
Capital assets	34,218,607	30,613,132
Total Assets	67,293,624	66,899,757
Liabilities:		
Long-term liabilities outstanding	17,405,915	19,960,046
Other liabilities	16,035,849	16,498,878
Total Liabilities	33,441,764	36,458,924
Net Assets:		
Investment in capital assets, net of related debt	21,873,770	19,878,746
Restricted:		
Debt service	1,481,952	1,039,308
Capital Improvements	777,973	1,550,244
Public safety	202,690	196,045
Tourism	900,150	689,489
Roads and bridges	143,123	105,706
Grant related provisions	276,972	426,285
Unrestricted	8,195,230	6,555,010
Total net assets	\$ 33,851,860	\$ 30,440,833

* The components of net assets have been restated in the prior year to segregate net assets restricted by state law or Council enabling legislation, and to correct an error in the calculation of amounts restricted for capital improvements.

At June 30, 2007, \$1,263,719 is being held by the County as restricted cash and investments to be used for the planned purchase/construction of additional capital assets to provide services to citizens. This amount represents a decrease of 72.56%. The decrease is directly related to the expenditure of County General Obligation Bond Funds for the renovations of the Colleton County Court House.

At the end of the current fiscal year, Colleton County is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for the separate governmental component units.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

**Colleton County, South Carolina
Changes in Net Assets (Recapped)
For the Fiscal Years Ended June 30, 2007 and 2006**

	Governmental Activities	
	2007	2006
Revenues:		
Program Revenues		
Charges for services	\$ 2,885,851	\$ 2,791,840
Operating grants and contributions	1,476,277	1,780,045
Capital Grants and contributions	129,862	1,665,398
General Revenues		
Property Taxes	12,897,742	12,361,450
Other Taxes	7,978,575	7,213,172
Grants and Contributions not restricted to Specific Programs	2,054,893	1,874,599
Unrestricted Revenue	745,946	491,442
Gain on Sale of Capital Assets	-	89,815
Misc./Other Income	8,807	57,399
Special Item		
Recovery of costs contributed to assist with development of industrial property (FY07)	170,210	-
Intergovernmental revenue received as a result of negotiated settlement (FY06)	-	1,511,903
Total Revenue	<u>28,348,163</u>	<u>29,837,063</u>
Expenses:		
Governmental Activities:		
General Government	6,172,453	5,832,259
Judicial	1,574,140	1,694,343
Public Safety	9,377,244	8,897,438
Streets and Highways	2,266,132	2,157,486
Sanitation	1,945,094	1,864,575
Recreation and Culture	996,532	1,029,961
Health and Human Services	1,057,044	1,083,368
Economic Development	353,263	420,369
Intergovernmental	320,196	2,909,748
Interest and fiscal charges	875,038	890,054
Total Expenses	<u>24,937,136</u>	<u>26,779,601</u>
Increase in Net Assets	<u>3,411,027</u>	<u>3,057,462</u>
Net assets Beginning of Year	<u>30,440,833</u>	<u>27,383,371</u>
Net Assets End of Year	<u>\$ 33,851,860</u>	<u>\$ 30,440,833</u>

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

Required Supplementary Information – Required Supplementary Information includes the Budgetary Comparison Schedule presented on page 45 to 46 of this report. The format presented is required by the Governmental Accounting Standards Board (GASB) Statement 34 and highlights the differences between the budgetary basis of accounting for the County and Generally Accepted Accounting Standards (GAAP).

Financial Analysis of the Government's Funds

As noted earlier, Colleton County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following is a recap of the Colleton County's governmental funds reporting combined ending fund balances at June 30, 2007, as compared to June 30, 2006:

**Colleton County, South Carolina
Governmental Fund Balances
June 30, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>% Total</u>
Reserved				
Prepays	\$ 12,190	\$ -	\$ 12,190	0.07%
Capital projects	-	3,659,754	3,659,754	22.50%
Unreserved				
Designated for:				
Postclosure landfill costs	-	270,844	270,844	1.67%
Undesignated, reported in:				
General Fund	6,836,588	-	6,836,588	42.03%
Special Revenue Funds	-	3,534,038	3,534,038	21.73%
Capital Project Funds	-	543,327	543,327	3.34%
Debt Service Funds	-	1,408,100	1,408,100	8.66%
Total Fund Balances:	<u><u>\$ 6,848,778</u></u>	<u><u>\$ 9,416,063</u></u>	<u><u>\$ 16,264,841</u></u>	<u><u>100.00%</u></u>

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

**Colleton County, South Carolina
Governmental Fund Balances
June 30, 2006**

	<u>General</u>	<u>Economic Development and Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>% Total</u>
Reserved					
Encumbrances	\$ -	\$ -	\$ 443,706	\$ 443,706	2.32%
Prepays	253,666	-	-	253,666	1.32%
Capital acquisitions	337,465	-	-	337,465	1.76%
Capital projects	-	3,910,517	3,253,178	7,163,695	37.49%
Unreserved					
Designated for:					
Road Projects	-	-	200,000	200,000	1.05%
Postclosure landfill costs	-	-	220,844	220,844	1.16%
Undesignated, reported in:					
General Fund	5,680,983	-	-	5,680,983	29.73%
Special Revenue Funds	-	-	3,449,184	3,449,184	18.04%
Capital Project Funds	-	-	242,120	242,120	1.27%
Debt Service Funds	-	-	1,119,054	1,119,054	5.86%
Total Fund Balances:	<u>\$ 6,272,114</u>	<u>\$ 3,910,517</u>	<u>\$ 8,928,086</u>	<u>\$ 19,110,717</u>	<u>100.00%</u>

Capital Fund Established – Colleton County Council established the Colleton County Capital Fund during the June 30, 2006, fiscal year. The goal of this fund is to streamline the reporting processes related to tracking assets as well as providing funding to eliminate existing outstanding debt related to lease purchase agreements. At June 30, 2007, \$1,426,558 was available for appropriation by County Council, which represents a decrease of (27.61%) as compared to \$1,970,736 available for appropriation at June 30, 2006.

Roads and Bridges Special Revenue Fund: The County levies a Vehicle User Fee annually through tax appropriations. This vehicle user fee is designated to the Roads and Bridges Special Revenue Fund for operations. The General Government contributed a total of \$821,517 for operations in the Roads and Bridges Fund to offset the total cost of operations and capital equipment costs not funded through the vehicle user fee for fiscal year ending June 30, 2007, as compared to \$730,860 for June 30, 2006.

Compliant Fund Balance - The Colleton County Budget Ordinance directs the utilization of a compliant fund balance methodology based on the cash-flow needs of the County. The intention of this policy is to allow Colleton County to operate during the fiscal year prior to the receipt of tax revenues without having to issue Tax Anticipation Notes (TANS) to provide funding for governmental services. The issuance of TANS to operate government services only increases the budget costs to the taxpayers during the fiscal year because of the related interest expense associated with the issuance of TANS. The Colleton County Council's goal each fiscal year is to keep the operational costs at a minimum through sound fiscal practices, thus the Compliant Fund Balance Policy was implemented. The unreserved fund balance needed for operations is projected annually during the budget process by the County Finance Director and is monitored throughout the fiscal year by both the County Treasurer and the County Finance Director. Based on projected figures for the June 30, 2008, budget, the amount needed to sustain operations without borrowing funds is projected to be at a minimum of \$5.5 million or approximately 80% of the total June 30, 2007, General Fund Undesignated Fund Balance.

Colleton County Government prepares the annual budget for tax revenues on the cash basis of accounting and other revenue projections on the modified accrual basis of accounting with the expenditure portion of the budget presented on the modified accrual basis of accounting.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

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General Fund Budgetary Highlights

The Colleton County General Fund Budget was balanced for the fiscal year ending June 30, 2007, without a fund balance appropriation. The budget for June 30, 2007, represents the first fiscal year in which County Council did not appropriate additional funds from the undesignated fund balance to cover projected budget deficits. The original general fund expenditure budget was adopted for a total of \$20,834,276 and the final budget was \$20,871,141 as amended. The amendments included budgeting of State Accommodations Tax in the amount of \$19,896 to be used toward utility and legal expenses, as well as minor increases in State Shared Revenues for Emergency Preparedness, Register of Deeds Office and the Election/Voter Registration Office. See the notes to the Budgetary Comparison Schedule on Page 46 for additional information.

Capital Asset and Debt Administration

Capital Assets – Colleton County's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$34,218,607 (net of accumulated depreciation) as compared to \$30,613,132 at June 30, 2006. This investment in capital assets, both purchased and donated, includes land, buildings and improvements, machinery and equipment, roads, bridges, and easements.

Major capital asset events during the June 30, 2007, fiscal year include some of the following projects:

- Colleton county courthouse renovations
- Construction in Progress - I-95 Colleton County Commerce Center Project
- Installation of County - maintained Fuel Station at Mable T. Willis Facility
- Purchase of new Sheriff Department vehicles
- Purchase of new ambulances
- Purchase of vehicles and heavy equipment for Public Works
- Purchase of in-car camera systems and live scan finger print device
- Purchase of new hardware and software for Colleton County Library
- Renovations and improvements related to Fire & Rescue headquarters
- Completion of new fire station for Bennett's Point

Additional information on the County's capital assets can be found on pages 32 to 34 in the notes to the financial statements.

Debt Administration – At fiscal yearend June 30, 2007, Colleton County had total debt outstanding of \$16,705,940 compared to fiscal year end June 30, 2006, outstanding debt totaling \$19,288,516, which represents a decrease of (13.39%) from the prior fiscal year. This decrease is related to the retirement of debt through the payment of the principal portion on the outstanding debt during the fiscal year June 30, 2007. Of the \$16,705,940 outstanding balance at June 30, 2007, \$10,351,955 (61.96%) is related to General Obligation Bond (GOB) Debt, \$723,164 (4.32%) is related to lease purchase agreements for capital equipment, \$1,382,306 (8.27%) is related to the Notes Payable for the Veteran's Affairs Nursing Home and \$999,559 (6.0%) is related to the Capital Lease for the Edisto Beach Civic Center, and \$3,248,956 (19.45%) is related to the Special Source Revenue Bond (SSRB) issued to develop the Colleton County Commerce Center off Interstate I-95 in Colleton County at June 30, 2007.

In accordance with State Law, the amount of General Obligation Bonds (GOB) a government entity may issue (without referendum) is equal to eight percent of its total assessed value. The current General Obligation Bond debt limitation for Colleton County based on information received from the County Auditor related to the 2006 Tax Assessments is \$12,725,981 for fiscal year ending June 30, 2007, which represents a 1.51% increase from the prior year capacity of \$12,537,079 at June 30, 2006.

The Colleton County Fire and Rescue Commission had total debt outstanding of \$7,580,099 at June 30, 2007, related to the construction of new fire stations and the acquisition of capital assets for continued improvements related to Fire Services and the Insurance Service Office (ISO) fire ratings in order to continue and expand the reductions related to property insurance premiums. The total outstanding debt for the Colleton County Fire and Rescue Commission at June 30, 2007, represents a 10.73% decrease from the prior fiscal year ending June 30, 2006, outstanding debt of \$8,491,554.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

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Colleton County currently maintains a Baa1 rating from Moody's and a BBB+ rating from Standard and Poor's based on the latest ratings in November 2005. Both Moody's and Standard and Poor's rated the County high in the area of financial management, with the off-setting factor for improved ratings being the limited growth in the tax base. The rating agencies tied future improved ratings for the County to the ability to manage and plan for economic growth and development.

Economic Factors and Next Years Budget

The fiscal year ended June 30, 2007, was the first year in many years the County did not see stable growth in the vehicle digest, i.e. the appraised value of vehicles in the County. The total amount of real and personal property tax collections for the county was \$250,474 under the total amount budgeted for June 30, 2007. This decline in revenues is related to a 7.89% decline in the vehicle tax billings below the prior year billings. The County's tax base has grown modestly over the past five years averaging around 2.2% growth annually in total assessed property values, but the amount of taxes "rolling-over" to delinquent tax in FY07 represents the largest increase in many years of approximately 27% over the prior year.

The overall decrease in tax revenues did not have a negative effect on the County for the fiscal year due to the high number of vacant positions throughout the County. The majority of savings were related to decreases in the worker's compensation premiums for the fiscal year, coupled with lower than projected health insurance premiums, with much of the insurance savings tied directly to vacant positions throughout the County. Careful monitoring of the budgeted revenues and monitoring for necessary expenditures during the year by management also off-set any losses to the County related to the decrease in property tax collections.

The increase in taxes "rolling-over" to delinquent tax could be an indication of a slow-down in the overall economy, but the Colleton County Sales Tax Revenues were \$816,394 for June 30, 2007, as compared to June 30, 2006 revenues of \$711,289, which could also indicate stability in the local economy related to spending. Recording Document Fee revenue continued to rise during June 30, 2007, with an increase of 8% over the prior year revenues, which could also indicate stability in the housing markets and the re-financing of existing mortgages.

The Colleton County Budget for fiscal year ending June 30, 2008, includes a 3.3% mill increase to cover the cost-of-living pay adjustment for County employees. The vehicle property tax revenues for upcoming fiscal year were reduced in total 6% under the prior years budgeted amount due to the reduction in revenues for the June 30, 2007, fiscal year. The Council approved two new revenue streams for fiscal year 2008 from the Solicitor's Office for the estreatment program and the Treasurer's Office for issuing Department of Motor Vehicle decals; related expenditures are also budgeted for these programs. Revenue increases were also budgeted in Planning Office for changes to the Building Permit fee structure as approved by County Council in the fiscal year 2008 Budget Ordinance.

The Colleton County Economic Alliance, Inc. reported in the Annual Report for June 30, 2007, the purchase of the former 48,000 square foot spec building in the Lowcountry Regional Airport Industrial Park to Bulk Molding Compounds of Chicago, which plans to employ fifty associates. The Alliance Board secured funds for the site certification process of 130 acres at the Lowcountry Regional Airport and a \$100,000 USDA-funded grant for an airport strategic business plan. In addition, Phase I site drainage work at the Colleton County Commerce Center with the addition of a 250,000 square foot building pad is slated to begin.

Requests for Information - This financial report is designed to provide a general overview of the County's Finances and to demonstrate the County's accountability for the money it receives. Any questions about this report or request for information may be addressed to Colleton County Finance Director, P.O. Box 157, Walterboro, SC 29488.

BASIC FINANCIAL STATEMENTS

COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government		Component Units	
	Governmental Activities	Memorial Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse
Assets				
Cash and investments	\$ 16,517,278	\$ 53,598	\$ 976,405	\$ 254,534
Receivables, net of allowances				
Property taxes	13,476,212	-	2,100,717	-
Accounts	77,240	-	1,044,807	20,370
Other	101,442	86	-	76,045
Due from component units	20,182	-	-	-
Due from primary government	-	-	42,694	-
Due from other governments	1,427,692	-	21,629	-
Prepays and deposits	176,057	4,895	67,686	-
Bond issuance costs	33,198	-	21,882	-
Temporarily restricted assets				
Cash and investments	1,263,719	-	143,714	-
Capital assets				
Nondepreciable	11,902,183	-	207,395	-
Depreciable, net of accumulated depreciation	22,316,424	443,263	7,164,859	11,926
Total assets	67,311,627	501,842	11,791,788	362,875
Liabilities				
Accounts payable	2,173,827	-	-	20,450
Accrued liabilities	230,636	7,992	77,148	-
Due to primary government	-	11,864	8,318	-
Due to component unit	42,694	-	-	-
Due to other governments	439,218	-	-	-
Unearned revenues	12,903,185	8,231	2,147,708	-
Accrued interest	264,292	-	97,798	-
Noncurrent liabilities				
Due within one year	2,602,806	3,328	1,029,687	6,452
Due in more than one year	14,803,109	14,224	6,681,619	8,804
Total liabilities	33,459,767	45,639	10,042,278	35,706
Net assets				
Invested in capital assets, net of related debt	21,873,770	443,263	803,209	11,926
Restricted for				
Debt Service	1,481,952	-	359,923	-
Capital improvements	777,973	-	2,018	50,000
Public safety	202,690	-	-	-
Tourism	900,150	-	-	-
Roads and bridges	143,123	-	-	-
Grant provisions	276,972	-	-	-
Unrestricted	8,195,230	12,940	584,360	265,243
Total net assets	\$ 33,851,860	\$ 456,203	\$ 1,749,510	\$ 327,169

The accompanying notes are an integral part of this financial statement.

**COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 6,172,453	\$ 475,461	\$ 126,024	\$ -
Judicial	1,574,140	526,510	173,987	-
Public safety	9,377,244	1,331,084	603,955	105,956
Streets and highways	2,266,132	-	-	23,906
Sanitation	1,945,094	467,428	83,174	-
Recreation and culture	996,532	85,368	34,955	-
Health and human services	1,057,044	-	454,182	-
Economic development	353,263	-	-	-
Intergovernmental	320,196	-	-	-
Interest and fiscal charges	875,038	-	-	-
Total primary government	<u>\$ 24,937,136</u>	<u>\$ 2,885,851</u>	<u>\$ 1,476,277</u>	<u>\$ 129,862</u>
Component Units				
Memorial Library	\$ 703,085	\$ 24,866	\$ 223,703	\$ 21,939
Fire and Rescue Commission	6,532,433	976,089	33,035	-
Commission on Alcohol and Drug Abuse	884,647	120,417	726,009	-
Total component units	<u>\$ 8,120,165</u>	<u>\$ 1,121,372</u>	<u>\$ 982,747</u>	<u>\$ 21,939</u>

General revenues:

Taxes:

- Property
- Manufacturers
- Homestead
- Motor carrier
- Delinquent
- Local option sales tax
- Fees in-lieu of taxes
- Local accommodations
- Hospitality
- Vehicle user fees
- Sales tax
- Franchise fees

- Grants and contributions not restricted to specific programs
- Unrestricted revenue from use of money and property
- Gain on sale of assets
- Miscellaneous

Special item

- Recovery of costs contributed to assist with development of industrial property

Total general revenues and special items

Change in net assets

Net assets

Beginning of year

End of year

The accompanying notes are an integral part of this financial statement.

Primary Government	Component Units		
Governmental Activities	Memorial Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse
\$ (5,570,968)			
(873,643)			
(7,336,249)			
(2,242,226)			
(1,394,492)			
(876,209)			
(602,862)			
(353,263)			
(320,196)			
(875,038)			
<u>(20,445,146)</u>			
	\$ (432,577)		
	-	\$ (5,523,309)	
	-	-	\$ (38,221)
	<u>(432,577)</u>	<u>(5,523,309)</u>	<u>(38,221)</u>
12,897,742	-	2,932,223	-
59,534	-	22,660	-
675,745	-	199,604	-
138,984	-	27,491	-
1,174,296	-	262,302	-
2,286,379	-	-	-
1,073,486	-	237,564	-
326,929	-	-	-
472,359	-	-	-
880,801	-	-	-
816,394	-	-	-
73,668	-	-	-
2,054,893	484,163	2,155,013	-
745,946	2,147	83,189	10,149
-	-	1,549	-
8,807	-	-	2,366
<u>170,210</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>23,856,173</u>	<u>486,310</u>	<u>5,921,595</u>	<u>12,515</u>
<u>3,411,027</u>	<u>53,733</u>	<u>398,286</u>	<u>(25,706)</u>
<u>30,440,833</u>	<u>402,470</u>	<u>1,351,224</u>	<u>352,875</u>
<u>\$ 33,851,860</u>	<u>\$ 456,203</u>	<u>\$ 1,749,510</u>	<u>\$ 327,169</u>

**COLLETON COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 5,480,502	\$ 11,036,776	\$ 16,517,278
Receivables, net of allowances			
Property taxes	12,152,385	1,323,827	13,476,212
Accounts	35,581	41,659	77,240
Other	12,050	89,392	101,442
Due from other funds	1,888,989	4,905	1,893,894
Due from component units	2,179	-	2,179
Due from other governments	1,084,071	343,621	1,427,692
Prepays and deposits	12,190	-	12,190
Temporarily restricted			
Cash and investments	1,824	1,261,895	1,263,719
Total assets	\$ 20,669,771	\$ 14,102,075	\$ 34,771,846
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,356,441	\$ 817,386	\$ 2,173,827
Accrued payroll and other liabilities	175,218	55,418	230,636
Due to other funds	-	1,893,894	1,893,894
Due to component units	24,691	-	24,691
Due to other governments	190,326	248,892	439,218
Deferred revenues	12,074,317	1,670,422	13,744,739
Total liabilities	13,820,993	4,686,012	18,507,005
Fund Balances			
Reserved for			
Prepays	12,190	-	12,190
Capital projects	-	3,659,754	3,659,754
Unreserved			
Designated for			
Landfill postclosure	-	270,844	270,844
Undesignated, reported in			
General fund	6,836,588	-	6,836,588
Special revenue funds	-	3,534,038	3,534,038
Capital projects funds	-	543,327	543,327
Debt service funds	-	1,408,100	1,408,100
Total fund balances	6,848,778	9,416,063	16,264,841
Total liabilities and fund balances	\$ 20,669,771	\$ 14,102,075	\$ 34,771,846

The accompanying notes are an integral part of this financial statement.

**COLLETON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total governmental fund balances \$ 16,264,841

Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$47,111,179 and the accumulated depreciation is \$12,892,572. 34,218,607

Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds:

Property taxes	\$	800,569	
Other		40,985	
			841,554

Disbursements for insurance coverage reflected in the funds cover periods extending beyond year-end. 163,867

Costs associated with the issuance of long-term debt are deferred and amortized over the term of the debt. 33,198

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

General obligation bonds	\$	(10,351,955)	
Note payable		(1,382,306)	
Special source revenue bonds		(3,248,956)	
Capital leases		(1,722,722)	
Compensated absences		(391,266)	
Landfill closure and postclosure cost		(241,710)	
Claims and judgements		(67,000)	
Accrued interest		(264,292)	
			(17,670,207)

Net assets of governmental activities \$ 33,851,860

The accompanying notes are an integral part of this financial statement.

COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 16,853,973	\$ 4,187,826	\$ 21,041,799
Intergovernmental revenues	2,229,050	1,378,247	3,607,297
Licenses and permits	151,555	-	151,555
Fines, fees and service charges	1,406,107	977,950	2,384,057
Interest income	243,217	498,780	741,997
Other income	8,962	119,562	128,524
Total revenues	<u>20,892,864</u>	<u>7,162,365</u>	<u>28,055,229</u>
Expenditures			
Current			
General government	5,852,151	10,299	5,862,450
Judicial	1,138,095	431,176	1,569,271
Public safety	8,219,456	946,530	9,165,986
Streets and highways	65,190	1,563,589	1,628,779
Sanitation	-	1,764,920	1,764,920
Recreation and culture	831,172	152,166	983,338
Health and human services	483,967	476,763	960,730
Economic development	223,100	76,950	300,050
Intergovernmental	-	320,194	320,194
Capital outlay	-	5,153,267	5,153,267
Debt service			
Principal retirement	896,249	1,686,327	2,582,576
Interest and fiscal charges	46,104	827,256	873,360
Total expenditures	<u>17,755,484</u>	<u>13,409,437</u>	<u>31,164,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,137,380</u>	<u>(6,247,072)</u>	<u>(3,109,692)</u>
Other financing sources (uses)			
Sale of capital assets	-	58,606	58,606
Transfers in	1,298	3,392,336	3,393,634
Transfers out	(2,562,014)	(831,620)	(3,393,634)
Total other financing sources (uses)	<u>(2,560,716)</u>	<u>2,619,322</u>	<u>58,606</u>
Excess (deficiency) before special item	576,664	(3,627,750)	(3,051,086)
Special item			
Recovery of costs contributed to assist with development of industrial property	-	205,210	205,210
Net change in fund balance	576,664	(3,422,540)	(2,845,876)
Fund balances			
Beginning of year	6,272,114	12,838,603	19,110,717
End of year	<u>\$ 6,848,778</u>	<u>\$ 9,416,063</u>	<u>\$ 16,264,841</u>

The accompanying notes are an integral part of this financial statement.

**COLLETON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Page 1 of 2

Net change in fund balances - total governmental funds **\$ (2,845,876)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 5,646,518	
Depreciation expense	<u>(1,971,182)</u>	
		3,675,336

In the statement of activities, the gain or loss on disposal of capital assets (\$89,815) is reported. Conversely, governmental funds report only proceeds from disposal of capital assets (\$94,788). Thus, the change in net assets differs from the change in fund balance by cost of the capital assets sold.

Cost of capital assets	\$ (384,147)	
Accumulated depreciation	<u>290,380</u>	
Net book value		(93,767)

Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues in the governmental funds. Similarly, other revenues that do not provide current financial resources are not reported as revenues in the fund.

Amounts not meeting prior year availability criteria, recognized in governmental funds in current year		
Property taxes	\$ (702,808)	
Other	(39,770)	
Amounts not meeting current year availability criteria, not recognized in governmental funds in current year		
Property taxes	800,569	
Other	<u>40,985</u>	
		98,976

In the statement of activities, revenue from infrastructure assets contributed to the County by other governmental agencies is reported. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements. 23,906

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The details of net changes in such accruals are as follows:

Compensated absences	\$ (13,836)	
Landfill closure and postclosure cost	(14,610)	
Accrued interest	<u>2,305</u>	
		(26,141)

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transactions, however, have no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Principal repayments:			
General obligation bonds	\$	1,033,487	
Note payable		129,597	
Special source revenue bond		455,698	
Capital leases		963,794	
Amortization of bond issue costs		<u>(3,983)</u>	
			<u>\$ 2,578,593</u>
Change in net assets of governmental activities			<u><u>\$ 3,411,027</u></u>

The accompanying notes are an integral part of this financial statement.

**COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Agency Funds</u>
Assets	
Cash and cash investments	\$ 8,399,987
Accounts receivable	<u>330,317</u>
Total assets	<u>\$ 8,730,304</u>
Liabilities	
Assets held for others	<u>\$ 8,730,304</u>
Total liabilities	<u>\$ 8,730,304</u>

The accompanying notes are an integral part of this financial statement.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Colleton County (the County) is governed by a five-member County Council under the Council-Administrator form of government, pursuant to the South Carolina Home Rule Act. Members of County Council are elected from resident districts. The County Council acts as the governing body of the County with power to pass ordinances and adopt regulations. The basic financial statements herein reflect those operations subject to the control of Colleton County Council and the County Administrator.

Among the services that the County funds in whole or in part, are the following: general government, judicial, public safety, streets and highways, sanitation, health and human services, recreation and cultural institutions, economic development; and other miscellaneous services (intergovernmental and private non-profit support).

As required by generally accepted accounting principles, these financial statements present the County (primary government) and its discretely presented component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are combined with data of the County if the governing body of the component unit is substantively the same as that of the primary government or the component unit provides services entirely or almost entirely to the primary government. Discretely presented component units, on the other hand, do not meet the criteria for blending and are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the primary government. Disclosures in these notes to the financial statements are applicable to both the County and its component units unless otherwise indicated.

Blended Component Units.

The *Colleton County Development Board*, an entity legally separate from the County, is governed by a seven-member board appointed by Colleton County Council. For financial reporting purposes, the Commission is reported as if it is part of the County's operations because all fiscal and hiring matters are subject to the authority of Colleton County Council, as represented by the County Administrator.

The *Colleton County Advisory/Planning Commission* does not have separate corporate powers from the County and thus is included in the County's operations.

Discretely Presented Component Units.

The nine members of the *Colleton County Memorial Library's* (the Library) governing board are appointed by Colleton County Council. The Library is fiscally dependent upon the government because the County Council approves the Library's budgets, and can significantly influence the decisions of the Library.

The five members of the *Colleton County Fire and Rescue Commission* (the Commission) are selected by County Council from ten members presented by the Fire Control Board, an advisory board comprised of a member from each of the participating fire departments. The Commission is fiscally dependent upon the government because the County Council approves the Commission's budgets, levies taxes, and must approve any debt issuances.

The nine members of the *Colleton County Commission on Alcohol and Drug Abuse's* (the Commission) governing board are appointed by Colleton County Council. The Commission is fiscally dependent upon the government because the County Council approves the Commission's budgets, and can significantly influence the decisions of the Commission. Separately issued financial statements may be obtained at 1439 Thunderbolt Drive, Walterboro, South Carolina.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

The government-wide 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 or applicants 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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain County functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Major Funds

The County reports the following major governmental funds:

1. The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Nonmajor Funds

In addition, the County reports the following nonmajor fund types:

The *Special Revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects) such as grants, fire and other special purpose fees, and economic development.

The *Debt Service funds* account for the accumulation of resources for, and the payment of, long-term debt principal and interest. The County's Debt Service Fund was established and is maintained in accordance with acts passed by the General Assembly of South Carolina authorizing the sale of general obligation bonds of the County. The SSRB Canadays Debt Service Fund accounts for debt payments made from Fee-in-Lieu Agreement revenues, and the Non GOB Debt Service Fund accounts for the accumulation of funds and payment of various capital leases and notes payable.

The *Capital Projects funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Fiduciary funds are used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. The *Agency funds* are custodial in nature and do not involve the measurement of results of operations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

"Measurement focus" is a term used to describe which transactions are recorded within the various financial statements. "Basis of accounting" refers to when transactions are recorded, regardless of the measurement focus applied.

The basic financial statements of the County have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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 of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for grant reimbursements, for which the availability period is 90 days. 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 payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt for acquisitions under capital leases are reported as other financing sources.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales, use and hospitality taxes, special assessments, fines and forfeitures, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days of year-end and available to pay obligations of the current period). This includes real and personal property taxes and special assessments, investment earnings, fines and forfeitures, certain charges for services, and state-levied locally shared taxes. Sales, use and hospitality taxes are recorded when the underlying transaction is made. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made. When grant funds are received in advance, revenue recognition is deferred until qualifying expenditures are made. Other revenues, including vehicle taxes, permits, licenses, some franchise fees and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Cash Equivalents and Deposits

The "deposits" classification is used only in the notes, not on the face of the statement of net assets or balance sheet. Deposits include only cash on hand, pooled money market funds and certificates of deposit.

The County considers cash and cash equivalents for cash flow purposes to be currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts, and liquid investments with an original maturity of three months or less when purchased.

For additional information related to deposits see Note III.A.

2. Investments

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools,"* investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

The County and its component units have a number of financial instruments, none of which is held for trading purposes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Debt securities are reported at cost or amortized cost.

For additional information related to investments see Note III.A.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

4. Receivables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The County bills and collects taxes for itself and all other taxing entities in the County under joint billing and collection agreements. The County recognizes property taxes in the period for which they are levied and available for financing current expenditures. Property taxes receivable represents delinquent real and personal taxes for the past ten years, less an allowance for amounts estimated to be uncollectible, plus taxes levied on the assessed value of real and personal property, as of December 31, 2005. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as deferred revenue and thus not recognized as revenue until collected in the governmental funds.

Taxes on real property and certain personal property attach as an enforceable lien on the property as of January 1. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 - three percent, February 1 - an additional seven percent, March 16 - an additional five percent. If not paid by October 1, the property is subject to sale by the delinquent tax office. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license registration is due for renewal. The taxpayer must provide proof of payment to the Highway Department before that agency will renew the vehicle license.

For additional information related to receivables see Notes I.C. and III.B.

5. Restricted Assets

The County's restricted accounts are established to account for assets restricted for specific purposes, typically by outside parties or legal agreement. Certain bond indentures of trust agreements require the establishment of restricted accounts equal to (i) maximum annual principal and interest payments, unless a surety bond was provided, and (ii) the next succeeding principal and accrued interest payment.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capitalization threshold for infrastructure assets is \$50,000 for individual items and networks. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives' are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of governmental-type activities is not capitalized.

All reported capital assets except land and certain infrastructure assets are depreciated. Useful lives for infrastructure are estimated based on the County's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

6. Capital Assets (Continued)

	Years		
	County	Component units (Library and Fire and Rescue)	Component unit (Alcohol and Drug)
Buildings and improvements			
Buildings	45	45	N/A
Building improvements	10	10	N/A
Improvements other than buildings			
Improvements other than buildings	10	10	N/A
Radio and fire towers	10	10	N/A
Library materials	N/A	5	N/A
Machinery and equipment			
Furniture and office equipment	5	5	3-20
Fire and medical equipment	5	5	N/A
Heavy vehicles and equipment	10	10	N/A
Vehicles			
Airplanes	6	N/A	N/A
Law enforcement vehicles	3	N/A	N/A
Other vehicles	5	5	3-20
Infrastructure - Paved roads	20	N/A	N/A

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, gains or losses on refundings and defeasance, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund 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 issuances 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 debt service expenditures.

8. Claims and Judgments

All claims and judgments are accrued in the government-wide financial statements when they are both 1) probable that a liability has been incurred, and 2) the loss can be reasonably estimated. The County records claims and judgments for governmental funds under the modified accrual basis of accounting. This method provides that claims and judgments are recorded as expenditures and liabilities to the extent the amounts are payable with expendable available financial resources, i.e., currently funded or budgeted.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

9. Compensated Absences

It is the County's and its component units' policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. There is no liability for unpaid accumulated sick leave, since it is the County's policy to record the cost of sick leave only when it is paid and no benefits vest upon termination. All vacation and compensatory pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only to the extent they are payable from current resources, and represent matured liabilities, for example, as a result of employee resignations and retirements.

10. Reservations and Designations of Fund Balances

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reservations represent portions of fund balances which are not appropriable for expenditure or have been segregated for specific future uses by legal mandate. Designations represent tentative plans by the County for financial resource utilization in a future period as documented in the budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

E. USE OF ESTIMATES

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. ENCUMBRANCES

Encumbrances are recorded in order to reserve that portion of the applicable appropriation and are employed as an extension of formal budgetary integration in the General Fund. Encumbrances are also used as budgetary controls in the special revenue funds and capital projects funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Outstanding encumbrances are considered reappropriated in the ensuing year and are included in the overall budget for the ensuing year.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. FUND EQUITY DEFICITS

The following funds had a deficit fund balance at year-end that is expected to be resolved as indicated:

Fund	Deficit	Resource for Elimination
Special Revenue Funds		
Sheriff's Incentives Fund	\$ 3,791	Future revenues
Sheriff's Discretionary Funds	\$ 41,681	Future revenues

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Primary government, Fire and Rescue Commission, and Library

Except for petty cash accounts, the funds of the Fire and Rescue Commission and the Library are included in the funds administered by the County Treasurer.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Deposits of the County are subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. Driven by the aforementioned statute, the County's informal policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in demand or time deposits, continuously and fully secured with direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. Custodial credit risk for deposits is not formally addressed by bond indentures. Indentures require that restricted deposits be maintained by the trustee bank, as custodian, specified in the indenture.

As of June 30, 2007, \$2,414,436 of the County's bank balance of \$15,161,762 was exposed to custodial credit risk because \$442,876 was uninsured and uncollateralized, and \$1,971,560 was uninsured and collateralized by government investments held by the pledging financial institution's trust department or agent, but not in the County's name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal investment policy regarding custodial credit risk.

As of June 30, 2007, \$12,704,374 of investments were in repurchase agreements held by the counterparty, or its trust department or agent for the County.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Primary government, Fire and Rescue Commission, and Library (Continued)

As of June 30, 2007, the County had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Repurchase Agreements	<u>\$ 12,704,374</u>	1
Certificates of Deposit	<u>\$ 6,638,733</u>	291

Credit Risk – Credit risk is the risk that an issuer to an investment will not fulfill its obligations. In accordance with South Carolina state statutes, the County’s investment decisions are at the discretion of the elected County Treasurer, subject to the statutes that authorize the County and its component units to invest in the following:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
5. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

In addition, South Carolina State statutes authorize the County and its component units to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created pursuant to Section 6-6-10 of the South Carolina Code of Laws, and administered by the State Treasurer, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC’s rule 2a7 of the Investment Company Act of 1940. The reported value of the County’s and its component unit’s position in the pool, if any, is the same as the fair value of the pool shares.

The County has no investment policy that would further limit its investment choices. As of June 30, 2007, the County’s investment in the repurchase agreements was collateralized by securities with a market value of \$12,704,374. These securities were rated AAA by Moody’s.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the County’s investment in a single issuer. The County places no limit on the amount that may be invested in any one issuer. All of the County’s investments are in the repurchase agreements.

See Notes I.D. 1. and 2. for additional information concerning cash and investments.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. RECEIVABLES

Receivables as of year-end for the County's individual major funds and on major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government		Component Units		
	General	Nonmajor Funds	Fire and Rescue	Library	Alcohol and Drug Abuse
Receivables					
Taxes	\$ 12,712,629	\$ 1,381,375	\$ 2,256,990	\$ -	\$ -
Accounts	39,534	41,659	4,206,940	-	20,370
Other	12,050	89,392	-	86	76,045
Gross receivables	12,764,213	1,512,426	6,463,930	86	96,415
Less: allowance for uncollectibles					
Taxes	560,244	57,548	156,273	-	-
Accounts	3,953	-	3,162,133	-	-
Net receivables	\$ 12,200,016	\$ 1,454,878	\$ 3,145,524	\$ 86	\$ 96,415

C. DEFERRED AND UNEARNED REVENUES

Governmental funds report deferred revenue in the fund financial statement in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2007, the various components of deferred and unearned revenue reported in the governmental funds were as follows:

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 800,569	\$ -
Other	40,985	-
Total unavailable	841,554	-
Unearned		
Contributions and grants recorded prior to meeting all eligibility requirements	353,660	353,660
Property taxes receivable	12,549,525	12,549,525
Total unearned	12,903,185	12,903,185
Total deferred revenues, governmental funds	\$ 13,744,739	
Total unearned revenues, government-wide		\$ 12,903,185

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. DEFERRED AND UNEARNED REVENUES (CONTINUED)

Component unit

Fire and Rescue

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 192,595	\$ -
Fees for emergency medical services	<u>570,037</u>	<u>-</u>
Total unavailable	<u>762,632</u>	<u>-</u>
Unearned		
Property taxes receivable	<u>2,147,708</u>	<u>2,147,708</u>
Total unearned	<u>2,147,708</u>	<u>2,147,708</u>
Total deferred revenues, governmental funds	<u>\$ 2,910,340</u>	
Total unearned revenues, government-wide		<u>\$ 2,147,708</u>

D. INTERFUND RECEIVABLES AND PAYABLES

The interfund receivables and payables at June 30, 2007, were as follows:

	Receivable Fund	Payable Fund
Major governmental funds		
General	\$ 1,888,989	\$ -
Nonmajor governmental funds	<u>4,905</u>	<u>1,893,894</u>
Total interfund balances	<u>\$ 1,893,894</u>	<u>\$ 1,893,894</u>

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

	Transfer in	Transfer out
Major governmental funds		
General	\$ 1,298	\$ 2,562,014
Nonmajor governmental funds	<u>3,392,336</u>	<u>831,620</u>
Total	<u>\$ 3,393,634</u>	<u>\$ 3,393,634</u>

Transfers are used (1) to move revenues from the fund with collection authorization to the fund with expenditure authorization, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS

Primary government capital asset activity for the year ended June 30, 2007, is as follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2007</u>
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 1,499,821	\$ -	\$ (35,000)	\$ 1,464,821
Land - infrastructure	4,429,349	23,906	(5,056)	4,448,199
Construction in progress	2,345,004	3,644,159	-	5,989,163
Total capital assets not being depreciated	<u>8,274,174</u>	<u>3,668,065</u>	<u>(40,056)</u>	<u>11,902,183</u>
Capital assets being depreciated				
Buildings and improvements	14,381,041	21,854	-	14,402,895
Improvements other than buildings	1,312,198	73,969	-	1,386,167
Machinery and equipment	3,241,404	534,336	-	3,775,740
Heavy vehicles and equipment	3,773,543	714,068	(204,550)	4,283,061
Vehicles	2,928,944	658,132	(139,541)	3,447,535
Infrastructure	7,913,598	-	-	7,913,598
Total assets being depreciated	<u>33,550,728</u>	<u>2,002,359</u>	<u>(344,091)</u>	<u>35,208,996</u>
Accumulated depreciation				
Buildings and improvements	(2,821,333)	(367,238)	-	(3,188,571)
Improvements other than buildings	(890,887)	(92,445)	-	(983,332)
Machinery and equipment	(1,220,950)	(404,352)	-	(1,625,302)
Heavy vehicles and equipment	(2,085,097)	(390,741)	176,811	(2,299,027)
Vehicles	(2,537,838)	(320,727)	113,569	(2,744,996)
Infrastructure	(1,655,665)	(395,679)	-	(2,051,344)
Total accumulated depreciation	<u>(11,211,770)</u>	<u>(1,971,182)</u>	<u>290,380</u>	<u>(12,892,572)</u>
Total capital assets being depreciated, net	<u>22,338,958</u>	<u>31,177</u>	<u>(53,711)</u>	<u>22,316,424</u>
Governmental activities capital assets, net	<u>\$ 30,613,132</u>	<u>\$ 3,699,242</u>	<u>\$ (93,767)</u>	<u>\$ 34,218,607</u>

Capital asset additions include \$23,906 in donated infrastructure.

Depreciation expense was charged to functions of the primary government as follows:

General Government Activities:

General Government	\$ 390,431
Judicial	6,310
Public Safety	571,255
Streets and highways	636,556
Sanitation	203,965
Recreation and culture	11,116
Health and human services	94,683
Economic Development	56,866
Total governmental activity depreciation:	<u>\$ 1,971,182</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS (CONTINUED)

Component units

Activity for the year ended June 30, 2007, is as follows:

	July 1, 2006	Additions	Transfers	Dispositions	June 30, 2007
<u>Fire and Rescue Commission</u>					
Capital assets not being depreciated					
Land	\$ 207,395	\$ -	\$ -	\$ -	\$ 207,395
Construction in progress	824,263	-	(824,263)	-	-
Total capital assets not being depreciated	<u>1,031,658</u>	<u>-</u>	<u>(824,263)</u>	<u>-</u>	<u>207,395</u>
Capital assets being depreciated					
Buildings and improvements	3,007,587	777,126	10,750	-	3,795,463
Improvements other than buildings	59,790	-	-	-	59,790
Machinery and equipment	124,216	-	-	-	124,216
Heavy vehicles and equipment	6,652,494	500,460	813,513	(50,000)	7,916,467
Vehicles	292,244	-	-	-	292,244
Total capital assets being depreciated	<u>10,136,331</u>	<u>1,277,586</u>	<u>824,263</u>	<u>(50,000)</u>	<u>12,188,180</u>
Total capital assets	<u>11,167,989</u>	<u>1,277,586</u>	<u>-</u>	<u>(50,000)</u>	<u>12,395,575</u>
Accumulated depreciation					
Buildings and improvements	(418,973)	(69,896)	-	-	(488,869)
Improvements other than buildings	(44,309)	(1,642)	-	-	(45,951)
Machinery and equipment	(64,650)	(23,006)	-	-	(87,656)
Heavy vehicles and equipment	(3,619,581)	(582,891)	-	50,000	(4,152,472)
Vehicles	(228,554)	(19,819)	-	-	(248,373)
Total accumulated depreciation	<u>(4,376,067)</u>	<u>(697,254)</u>	<u>-</u>	<u>50,000</u>	<u>(5,023,321)</u>
Total capital assets being depreciated, net	<u>5,760,264</u>	<u>580,332</u>	<u>824,263</u>	<u>-</u>	<u>7,164,859</u>
Governmental activities capital assets, net	<u>\$ 6,791,922</u>	<u>\$ 580,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,372,254</u>
<u>Library</u>					
	July 1, 2006	Additions	Dispositions		June 30, 2007
Capital assets being depreciated					
Buildings and improvements	\$ 131,775	\$ -	\$ -	\$ 131,775	
Library materials	1,470,034	134,588	(96,448)	1,508,174	
Machinery and equipment	55,572	60,883	-	116,455	
Heavy vehicles and equipment	62,736	-	-	62,736	
Vehicles	14,190	-	-	14,190	
Total capital assets being depreciated	<u>1,734,307</u>	<u>195,471</u>	<u>(96,448)</u>	<u>1,833,330</u>	
Total capital assets	<u>1,734,307</u>	<u>195,471</u>	<u>(96,448)</u>	<u>1,833,330</u>	

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS (CONTINUED)

<u>Library (Continued)</u>	<u>July 1, 2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2007</u>
Accumulated depreciation				
Buildings and improvements	\$ (84,888)	\$ (11,903)	\$ -	\$ (96,791)
Library materials	(1,132,028)	(123,728)	96,448	(1,159,308)
Machinery and equipment	(48,770)	(8,271)	-	(57,041)
Heavy vehicles and equipment	(60,451)	(2,286)	-	(62,737)
Vehicles	(14,190)	-	-	(14,190)
Total accumulated depreciation	<u>(1,340,327)</u>	<u>(146,188)</u>	<u>96,448</u>	<u>(1,390,067)</u>
Total capital assets being depreciated, net	<u>393,980</u>	<u>49,283</u>	<u>-</u>	<u>443,263</u>
Governmental activities capital assets, net	<u>\$ 393,980</u>	<u>\$ 49,283</u>	<u>\$ -</u>	<u>\$ 443,263</u>
 <u>Alcohol and Drug</u>				
Capital assets being depreciated				
Vehicles	\$ 56,618	\$ -	\$ -	\$ 56,618
Accumulated depreciation				
Vehicles	<u>(37,705)</u>	<u>(6,987)</u>	<u>-</u>	<u>(44,692)</u>
Governmental activities capital assets, net	<u>\$ 18,913</u>	<u>\$ (6,987)</u>	<u>\$ -</u>	<u>\$ 11,926</u>

Depreciation expense incurred by the component units during the year ended June 30, 2007, was as follows:

Fire and Rescue	<u>\$ 697,254</u>
Library	<u>\$ 146,188</u>
Alcohol and Drug Abuse	<u>\$ 6,987</u>

G. LONG-TERM DEBT

The County has the following forms of long-term indebtedness:

General Obligation Bonds – The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds reported in the governmental activities is property taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the County.

Special Source Revenue Bonds – The County entered into an agreement with Orangeburg County for the development of a joint-county industrial/business park to be located within both the County and Orangeburg County. The County issued Special Source Revenue Bonds of \$5,000,000 on June 19, 2003, of which the proceeds of these issues are to be used for the defrayment of a portion of the costs of acquiring the infrastructure for, and the development of, the joint-county industrial/business park. Repayment of the bonds is to be funded solely through fees in lieu of taxes equal to the ad valorem property taxes on the property located within the park. No recourse shall be had for the payment of these bonds or the interest thereon against the general fund of the County. The full faith, credit and taxing powers of the County are not pledged to the payment of the principal of, or interest on, these bonds.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

Capital Lease Obligations – The County uses leases to finance the purchase of various equipment. Repayment is budgeted in the General Fund and the Non GOB Debt Service Fund.

Note Payable – The County entered into an enterprise financing agreement under Section 11-27-110(A)(5) of the South Carolina law to help fund the construction of a VA Nursing Home to be located in the County. The remainder of the cost of the project is to be funded by the State of South Carolina. Repayment of the note is to be funded through the collection of local hospitality taxes. Under the South Carolina section of law pertaining to enterprise financing arrangements, the 8% constitutional legal debt limit of the County does not apply to this enterprise financing.

Compensated Absences Payable – These obligations represent accumulated annual leave and compensatory time benefits which were not funded by the current or prior years' revenue resources. These obligations are primarily funded by the general fund.

1. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2007, is as follows:

	July 1, 2006	Additions	Reductions	June 30, 2007	Due within one year
Primary government					
<u>Governmental activities</u>					
Bonds					
General obligation	\$ 11,385,442	\$ -	\$ 1,033,487	\$ 10,351,955	\$ 1,127,295
Special source revenue	3,704,654	-	455,698	3,248,956	477,606
Capital leases	2,686,517	-	963,795	1,722,722	794,002
Note payable	1,511,903	-	129,597	1,382,306	129,718
Claims and judgments	67,000	-	-	67,000	-
Landfill closure and postclosure costs	227,100	14,610	-	241,710	-
Compensated absences	377,430	192,566	178,730	391,266	74,185
Total long-term liabilities	\$ 19,960,046	\$ 207,176	\$ 2,761,307	\$ 17,405,915	\$ 2,602,806
Component units					
<u>Fire and Rescue</u>					
General obligation bonds	\$ 8,491,554	\$ -	\$ 911,455	\$ 7,580,099	\$ 1,004,810
Compensated absences	118,813	116,189	103,795	131,207	24,877
Total Fire and Rescue long-term debt	\$ 8,610,367	\$ 116,189	\$ 1,015,250	\$ 7,711,306	\$ 1,029,687
<u>Library</u>					
Compensated absences	\$ 15,351	\$ 18,055	\$ 15,854	\$ 17,552	\$ 3,328
<u>Alcohol and Drug</u>					
Compensated absences	\$ 12,439	\$ 21,070	\$ (18,253)	\$ 15,256	\$ 6,452

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

2. Bonds payable

There are a number of limitations and restrictions contained in the various bond indentures. Management believes the County is in compliance with all significant limitations and restrictions.

The South Carolina constitution permits the County to incur general obligation (general purpose) bonded indebtedness not to exceed eight percent of the assessed value of taxable property in the County. At June 30, 2007, the county was in compliance with this requirement.

The following is a summary of each long-term bond obligation of the governmental activities of the County at June 30, 2007.

3. General Obligation Bonds

Primary Government

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
January 1, 1994	General Obligation Bonds, Series 1994, 4.8% to 6.5% annual interest, semi-annual principal and interest payments, beginning in 1995, matures 2009	\$ 5,000,000	\$ 865,000
March 1, 1998	General Obligation Bonds, Series 1998, 3.95% to 5.95% annual interest, semi-annual principal and interest payments, beginning in 1999, matures 2014	3,800,000	2,135,000
May 1, 2002	General Obligation Bonds, Series 2002, 4.8% annual interest, annual principal and interest payments, beginning in 2003, matures 2012	1,900,000	1,051,955
November 1, 2005	General Obligation Bonds, Series 2005, 3.5% to 6.5% annual interest, semi-annual principal and interest payments, beginning in 2007, matures 2016.	6,500,000	6,300,000
	Total General Obligation Bonds	<u>\$ 17,200,000</u>	<u>\$ 10,351,955</u>

Future debt service requirements for primary government general obligation bonds outstanding at June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,127,295	\$ 438,820	\$ 1,566,115
2009	1,266,525	379,435	1,645,960
2010	951,198	311,097	1,262,295
2011	1,021,336	260,944	1,282,280
2012	1,091,983	220,370	1,312,353
2013-2016	4,893,618	439,277	5,332,895
Total General Obligation Bonds	<u>\$ 10,351,955</u>	<u>\$ 2,049,943</u>	<u>\$ 12,401,898</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

Component Unit

Fire and Rescue General Obligation Bonds payable at June 30, 2007, consist of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
May 1, 2002	Fire Protection Service General Obligation Bonds Series 2002A, 4.75% annual interest, annual principal and interest payments beginning in 2003, matures 2012	\$ 4,000,000	\$ 2,205,099
September 1, 2002	Fire Protection Service General Obligation Bonds Series 2002B, 3.21% annual interest, annual principal and interest payments beginning in 2003, matures 2010	2,400,000	1,375,000
October 15, 2003	Fire Protection Service General Obligation Bonds Series 2003, 3.0202% annual interest, annual principal and interest payments beginning in 2004, matures 2013	2,500,000	1,675,000
November 1, 2005	Fire Protection Service General Obligation Bonds Series 2005, 3.5% to 4.0% annual interest, annual principal and interest payments beginning in 2007, matures 2016	<u>2,400,000</u>	<u>2,325,000</u>
	Total Fire Protection Service Bonds	<u><u>\$ 11,300,000</u></u>	<u><u>\$ 7,580,099</u></u>

Future debt service requirements for Fire and Rescue general obligation bonds outstanding at June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,004,810	\$ 287,768	\$ 1,292,578
2009	1,049,039	251,289	1,300,328
2010	1,144,180	212,397	1,356,577
2011	1,240,279	169,206	1,409,485
2012	1,316,791	121,418	1,438,209
2013-2016	<u>1,825,000</u>	<u>168,875</u>	<u>1,993,875</u>
Total Fire Protection Service Bonds	<u><u>\$ 7,580,099</u></u>	<u><u>\$ 1,210,953</u></u>	<u><u>\$ 8,791,052</u></u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G LONG-TERM DEBT (CONTINUED)

4. Special Source Revenue Bonds

Primary Government

Primary Government Special Source Revenue Bonds payable at June 30, 2007, consist of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
June 19, 2003	Special Source Revenue Bond Series 2003A, 6.11% annual interest, annual principal and interest payments beginning in 2004, all outstanding principal and interest due in 2010	\$ 2,300,000	\$ 1,526,472
June 19, 2003	Special Source Revenue Bond Series 2003B, 3.69% annual interest, annual principal and interest payments beginning in 2004, matures 2013	<u>2,700,000</u>	<u>1,722,484</u>
	Total Revenue Bonds	<u>\$ 5,000,000</u>	<u>\$ 3,248,956</u>

Future debt service requirements for Special Source Revenue bonds outstanding at June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 477,606	\$ 158,128	\$ 635,734
2009	500,637	135,097	635,734
2010	1,362,705	110,980	1,473,685
2011	291,770	33,505	325,275
2012	302,537	22,739	325,276
2013	<u>313,701</u>	<u>11,575</u>	<u>325,276</u>
Total Revenue Bonds	<u>\$ 3,248,956</u>	<u>\$ 472,024</u>	<u>\$ 3,720,980</u>

5. Note Payable

Primary Government

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
May 1, 2006	Enterprise financing agreement, 4.15% semiannual interest, semiannual principal and interest payments beginning in 2007, matures 2016.	<u>\$ 1,511,903</u>	<u>\$ 1,382,306</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

Future debt service requirements for Notes Payable at June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 129,718	\$ 57,465	\$ 187,183
2009	135,205	51,978	187,183
2010	140,816	46,367	187,183
2011	146,660	40,523	187,183
2012	152,746	34,437	187,183
2013-2016	677,161	71,573	748,734
Total	<u>\$ 1,382,306</u>	<u>\$ 302,343</u>	<u>\$ 1,684,649</u>

6. Capital Leases Payable

Primary Government

The County has entered into several capital lease agreements with payment terms varying from three to twelve years and interest rates varying from 2.39% to 4.87%, secured by a civic center, various vehicles, computer software and hardware, and other equipment.

The assets acquired through capital leases are as follows:

Building	\$ 1,936,491
Equipment	<u>2,512,439</u>
Subtotal	4,448,930
Less accumulated depreciation	<u>1,052,182</u>
	<u>\$ 3,396,748</u>

Amortization expense for buildings and equipment under capital leases is included in depreciation expense.

The remaining lease payments as of June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 863,271
2009	119,515
2010	119,515
2011	119,515
2012	119,515
2013-2017	597,575
2018	119,515
Total minimum lease payments	2,058,421
Less amount representing interest	<u>(335,699)</u>
Present value of capital lease payments	<u>\$ 1,722,722</u>

Total interest paid on the equipment and building and improvements obligations for the year ended June 30, 2007, was approximately \$96,380.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

7. Conduit Debt

From time to time, the County issues industrial development revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Additionally, not-for-profit entities which provide fire protection within the County occasionally borrow funds to purchase equipment. The banks require the County's authorization of the borrowing although the loans and the related assets belong to the not-for-profit entities. The County is not obligated in any manner for repayment of the bonds and notes. Accordingly, the bonds and notes are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, there were an undetermined number of industrial revenue bonds and notes outstanding and the principal payable at June 30, 2007, could not be determined.

8. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill sites when each site stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$241,710 reported as an accrual for landfill closure and postclosure care costs at June 30, 2007, includes the cumulative amount reported less amounts paid to date for the open site, based on the following information:

Estimated Remaining Landfill Life	Percentage Balance of Capacity Used	Estimated Total Costs			Remaining To Be Recognized
		Closure	Postclosure	Total	
30 years	30.8%	\$ 708,640	\$ 71,070	\$ 779,710	\$ 538,000

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2007. Actual cost may be higher due to inflation, changes in technology or changes in regulations. Council has designated \$270,844 for payment of closure and post-closure care costs.

H. PENDING GASB STATEMENTS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is effective for the County's year ending June 30, 2009. The effects of implementation of GASB Statement No. 45 on the financial statements have not been determined.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which is effective for the County's year ended June 30, 2008. The effects of implementation of GASB Statement No. 48 on the financial statements have not been determined.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

IV. OTHER INFORMATION

A. RISK MANAGEMENT

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the County carries commercial insurance, and policies with the South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The County and its component units are covered under the same risk management umbrella and pay a pro-rata share of an annual premium for general insurance coverage. The County pays annual premiums to the State Insurance Reserve Fund for certain general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The County and its component units are also subject to risks of loss from providing health, life, accident, dental and other medical benefits to employees, retirees and their dependents. The County and its component units have enrolled substantially all employees in the State's health insurance plans administered by the South Carolina Budget and Control Board. The State reinsures through commercial companies for these risks. In addition, the County, Fire and Rescue Commission and Library insure the risk of job related injury or illness to employees through South Carolina Counties Worker's Compensation Trust, a public entity risk pool operating for the benefit of local governments. The County, and its component units pay an annual premium to the Worker's Compensation Trust for insurance coverage.

For all of the above risk management programs, the County and its component units have not significantly reduced insurance coverages from the previous year and settled claims in excess of insurance coverage for the past three years was immaterial. For each of the insurance programs and public entity risk pools in which they participate, the County and its component units have effectively transferred all risk with no liability for unfunded claims.

B. DEFINED BENEFIT PENSION PLANS

Plan Description - All permanent employees of the County and its component units, except for certain employees involved in law enforcement and fire fighting activities, participate in the South Carolina Retirement System (SCRS). The employees excluded above participate in the South Carolina Police Officers' Retirement System (SCPORS). Both systems are cost sharing multiple-employer defined benefit plans administered by the Retirement Division of the State Budget and Control Board. The SCRS and SCPORS provide retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance and survivor benefits to plan members and beneficiaries. Each plan's provisions are established under Title 9 of the S.C. Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for both the SCRS and SCPORS is issued and publicly available on the internet at www.scrs.state.sc.us, or by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Funding Policy - SCRS. Plan members are required to contribute 6.5% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 8.05% of annual covered payroll. The contribution requirements of plan members and employers is established under authority of Title 9 of the S.C. Code of Laws.

Funding Policy - SCPORS. Plan members are required to contribute 6.5% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 10.3% of annual covered payroll. The contribution requirements of plan members and employers is established under authority of Title 9 of the S.C. Code of Laws.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

IV. OTHER INFORMATION

B. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The following table presents the required contributions to the SCRS and SCPORS by the County and its component units for the years ended June 30, 2007, 2006, and 2005:

	Year Ended June 30,		
	2007	2006	2005
SCRS Contributions			
Primary Government	\$ 475,451	\$ 466,319	\$ 325,901
Fire and Rescue	18,526	21,220	27,663
Library	24,223	22,359	18,964
Alcohol and Drug	35,822	29,389	27,341
Total SCRS	<u>\$ 554,022</u>	<u>\$ 539,287</u>	<u>\$ 399,869</u>
SCPORS Contributions			
Primary Government	\$ 319,045	\$ 298,684	\$ 277,330
Fire and Rescue	302,044	248,612	216,050
Total SCPORS	<u>\$ 621,089</u>	<u>\$ 547,296</u>	<u>\$ 493,380</u>

100% of the required contributions were contributed for the current and each of the previous two years.

C. DEFERRED COMPENSATION PLAN

Internal Revenue Code Section 457 Plan – The County offers its employees a deferred compensation plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular full-time employees, permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to the employee or his beneficiaries until termination, retirement, death, disability or an approved hardship.

All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the County's general creditors. The plan is administered by the State of South Carolina.

Internal Revenue Code Section 401(k) Plan – The County also offers its employees participation in a deferred compensation plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 401(k). The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k) plan. All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The funds are administered by the State of South Carolina.

D. CONTINGENT LIABILITIES

Grants. Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the general fund or other applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

IV. OTHER INFORMATION

D. CONTINGENT LIABILITIES (Continued)

Litigation. The County is party to various legal proceedings which normally occur in governmental operations. These lawsuits involve environmental issues, alleged failure to appropriate proper budgets, employment matters and certain claims under contractual agreements. In the opinion of County management, based on the advice of legal counsel with respect to litigation, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the County's financial position. Additionally, the County would be allowed to appropriate any required funds in a subsequent fiscal year.

E. RELATED PARTY

The County pays rent on a monthly basis to elected magistrates for use of the magistrates' homes as an office. The total amount of rent paid during the year ended June 30, 2007, was \$6,050.

F. COMMITMENTS

Operating Leases - The County participates in certain leases accounted for as operating leases.

In addition to the related party leases (Note IV. E.), the County is obligated under agreements with various parties for the rental of facilities and equipment. Rental expense associated with the leases for the year ended June 30, 2007, is \$90,171.

Future minimum rental payments required over the next five years under the noncancellable operating leases having a remaining term in excess of one year at June 30, 2007, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2008	\$ 100,702
2009	100,702
2010	64,100
2011	64,100
2012	<u>64,100</u>
	<u>\$ 393,704</u>

Construction Commitments - At June 30, 2007, the County had commitments under contracts for construction of various projects not completed of approximately \$720,000.

G. PROPERTY TAXES

The County is permitted under South Carolina law to levy property taxes for general governmental services and payment of principal and interest on long-term debt. The County tax rate to finance general governmental services for the year ended June 30, 2007, was set by County Council at 102.4 mills (\$102.40 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 11.2 mills for debt retirement, 98.2 mills for School District general operating appropriation, 24.5 mills for School District indebtedness, 28.1 mills for fire protection, and 14.4 mills for fire debt. The assessed valuation of properties, exclusive of vehicles (valued at \$15,649,751), within the County's boundaries as of December 31, 2005, was \$143,425,014, according to the records of the County Auditor and Assessor.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

IV. OTHER INFORMATION

H. OTHER POSTEMPLOYMENT BENEFITS

Subject to annual reappropriation, retirees may be eligible to receive up to 50% of the cost of their individual health/dental insurance purchased through the SC State health insurance program this year provided that:

- (1) The person is employed by the County at the time of his/her retirement, is at least 62 years of age, and is covered at that time under the County's health/dental insurance program; and
- (2) The employee had twenty years of qualifying, full-time employment with the County prior to their retirement; and
- (3) The employee is retiring under the South Carolina Retirement System or the South Carolina Police Retirement System.
- (4) The specified Council appropriation made by and within this ordinance for said assistance is sufficient to fund the full 50% of all costs of all those eligible for and receiving assistance under this provision for this fiscal year. This retiree assistance is for the year only and remains subject to appropriation by County Council.
- (5) Any person who retires from County employment meeting all the requirements except the age requirement, will be eligible for this funded percentage of cost assistance upon reaching the age of 62.

The County's regular insurance providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. There were four eligible participants, and post-retirement healthcare expense was \$8,863 for the year ended June 30, 2007.

Effective in fiscal year ended 2009 the County will be required to implement GASB Statement No. 45, which provides that costs for postemployment benefits be recognized as the related service is delivered rather than on a pay-as-you-go basis. The effect of implementing GASB Statement No. 45 is not known.

I. SPECIAL ITEM

In February 2007, the County negotiated the sale of commercial property located on land owned by the County. The proceeds of the sale amounted to \$700,000. The County received \$205,210 from the proceeds as reimbursement for costs contributed by the County in 2004 to assist in the development of the property. The balance of the proceeds, \$494,790, was remitted to the corporation that owned the buildings and improvements on the property. The County's share of the proceeds was reported as a special item in the statement of revenue and expenditures. The proceeds, reduced by the cost of the land, were reported as a special item on the statement of activities.

J. SUBSEQUENT EVENTS

Subsequent to yearend Council approved a fund balance appropriation in an amount not to exceed \$200,000 to cover the cost to purchase a fire station in Green Pond.

In addition, Colleton County School District (the District) has requested that County Council provide funding in the amount of \$375,308 to cover a tax revenue shortage in the fiscal year ended June 30, 2007. County Council adopted an ordinance appropriating fund balance to fund the shortfall, contingent upon the District entering into an intergovernmental agreement. The terms of the agreement provide the following:

1. The District must acknowledge the funding to be a one-time dispersal, not to be considered a recurring appropriation or continuing obligation.
2. If the amount of tax revenues collected in future years falls short of projected tax revenues, the County shall not bear the burden of providing funds for the shortfall experienced in that year.
3. Any funds in excess of projected tax collections in future years shall be used to repay the funds advanced for the fiscal year 2007 shortfall.
4. Once the \$375,308 is repaid from excess collections in future years, any excess collections shall be placed in an escrow account and appropriated in future fiscal years to fund District operations, at the discretion of County Council.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S
DISCUSSION AND ANALYSIS (UNAUDITED)**

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Taxes	\$ 16,988,677	\$ 16,988,677	\$ 16,853,973	\$ (134,704)
Intergovernmental revenues	2,309,049	2,335,139	2,229,050	(106,089)
Licenses and permits	127,000	127,000	151,555	24,555
Fines, fees and service charges	1,280,050	1,289,625	1,406,107	116,482
Interest income	125,000	125,000	243,217	118,217
Other Income	4,500	4,500	8,962	4,462
Total revenues	20,834,276	20,869,941	20,892,864	22,923
Expenditures				
Current				
General government	6,484,270	6,435,250	5,852,151	583,099
Judicial	1,147,726	1,158,545	1,138,095	20,450
Public safety	8,019,140	8,085,329	8,219,456	(134,127)
Streets and highways	84,200	74,200	65,190	9,010
Recreation and culture	388,030	853,683	831,172	22,511
Health and human services	504,729	497,497	483,967	13,530
Economic development	266,806	266,806	223,100	43,706
Debt service				
Principal retirement	896,096	896,236	896,249	(13)
Interest and fiscal charges	53,154	46,614	46,104	510
Total expenditures	17,844,151	18,314,160	17,755,484	558,676
Excess (deficiency) of revenues over (under) expenditures	2,990,125	2,555,781	3,137,380	581,599
Other financing sources (uses)				
Transfers in	-	1,200	1,298	98
Transfers out	(2,990,125)	(2,556,981)	(2,562,014)	(5,033)
Total other financing sources (uses)	(2,990,125)	(2,555,781)	(2,560,716)	(4,935)
Net changes in fund balance	-	-	576,664	576,664
Fund balances				
Beginning of year	6,272,114	6,272,114	6,272,114	-
End of year	\$ 6,272,114	\$ 6,272,114	\$ 6,848,778	\$ 576,664

The accompanying Notes to Budgetary Comparison Schedule are an integral part of this schedule.

**COLLETON COUNTY, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 NOTES TO BUDGETARY COMPARISON SCHEDULE –
 GENERAL FUND
 YEAR ENDED JUNE 30, 2007**

Annual budgets are adopted for the General Fund on the modified accrual basis with the exception of delinquent property taxes, which are adopted on the cash basis. During the year ended June 30, 2007, delinquent tax cash basis revenues were substantially the same as the modified accrual basis. Therefore, no adjustment has been made to the presentation of actual tax revenues.

All agencies of the County must submit requests for appropriations to the County Administrator along with revenue estimates so that a budget may be prepared. The Finance Director compiles all budget requests, and the proposed budget is presented to County Council for review. The Council holds public hearings and adopts the final budget by June 30 through passage of an ordinance.

The legal level of budgetary control is determined by County Council at the fund level. Budgets are prepared by fund, function, and department. Department heads are permitted to transfer appropriations within their department for any non-personnel related costs. The County Administrator is permitted to transfer non-personnel appropriations between departments. The budget ordinance must be amended by County Council to effect changes in the total appropriations or in personnel-related costs.

Budgets, as reported in the accompanying schedule, are as originally passed by ordinance and subsequently amended. During the year, supplementary appropriations were adopted in the amount of \$36,865 to provide for the expenditure of revenues collected in excess of budget. The budget amendments included increases and decreases within individual departments, and decreases in transfers to other funds.

The following adjustments were made for presentation purposes to the budget as adopted by Council:

	<u>Original</u>	<u>Amended</u>
Budget as adopted/amended	\$ 21,550,722	\$ 21,587,587
less costs incurred on behalf of		
- Alcohol and Drug Commission	(707,805)	(707,805)
- Airport Commission	(8,641)	(8,641)
Budget as presented	<u>\$ 20,834,276</u>	<u>\$ 20,871,141</u>

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue				
	Capital Improvements	Sheriff's Incentives	Special Grants	State Grant	Clerk of Court Unit Costs
Assets					
Cash and investments	\$ 1,459,207	\$ -	\$ 605,202	\$ 14,771	\$ 15,650
Receivables, net of allowances					
Property taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Other	-	-	787	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	1,172	238,986	-	17,556
Temporarily restricted					
Cash and investments	-	-	-	-	-
Total assets	\$ 1,459,207	\$ 1,172	\$ 844,975	\$ 14,771	\$ 33,206
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 8	\$ -	\$ -	\$ -
Accrued payroll and other liabilities	-	216	14,037	-	904
Due to other funds	32,649	4,739	353,060	-	4,237
Due to other governments	-	-	-	-	-
Deferred revenues	-	-	335,357	-	-
Total liabilities	32,649	4,963	702,454	-	5,141
Fund Balances (Deficit)					
Reserved for					
Capital projects	-	-	-	-	-
Unreserved					
Designated for					
Landfill closure	-	-	-	-	-
Undesignated, reported in					
Special revenue funds	1,426,558	(3,791)	142,521	14,771	28,065
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total fund balances (deficit)	1,426,558	(3,791)	142,521	14,771	28,065
Total liabilities and fund balances	\$ 1,459,207	\$ 1,172	\$ 844,975	\$ 14,771	\$ 33,206

Special Revenue

Clerk of Court Incentives	Victims Witness Services	Animal Care and Control	Emergency Telephone	Promotion of Tourism Board	Special Project Tourism Board	County Promotion of Tourism Hospitality Tax
\$ 90,681	\$ 65,148	\$ 43,011	\$ 91,994	\$ -	\$ -	\$ 262,857
-	-	-	-	-	-	-
-	-	227	-	-	-	-
-	-	-	-	-	-	37,307
-	-	-	-	-	-	-
934	133	-	37,061	-	-	-
-	-	-	-	-	-	-
<u>\$ 91,615</u>	<u>\$ 65,281</u>	<u>\$ 43,238</u>	<u>\$ 129,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,164</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,277	-	1,538	-	-	-
-	552	3,479	8,835	-	-	-
-	900	-	-	-	-	-
-	5,598	12,705	-	-	-	-
-	8,327	16,184	10,373	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
91,615	56,954	27,054	118,682	-	-	300,164
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>91,615</u>	<u>56,954</u>	<u>27,054</u>	<u>118,682</u>	<u>-</u>	<u>-</u>	<u>300,164</u>
<u>\$ 91,615</u>	<u>\$ 65,281</u>	<u>\$ 43,238</u>	<u>\$ 129,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,164</u>

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue			
	County Accommo- dations Tax	Public Defender	Roads and Bridges	Solid Waste
Assets				
Cash and investments	\$ 798,640	\$ 46,360	\$ 156,426	\$ 873,339
Receivables, net of allowances				
Property taxes	-	-	-	-
Accounts	-	-	-	41,432
Other	51,298	-	-	-
Due from other funds	-	-	4,905	-
Due from other governments	-	-	-	43,278
Temporarily restricted				
Cash and investments	-	-	-	-
Total assets	\$ 849,938	\$ 46,360	\$ 161,331	\$ 958,049
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	1,294	4,896	18,208	13,048
Due to other funds	666	1,726	-	78,723
Due to other governments	247,992	-	-	-
Deferred revenues	-	-	-	5,405
Total liabilities	249,952	6,622	18,208	97,176
Fund Balances (Deficit)				
Reserved for				
Capital projects	-	-	-	-
Unreserved				
Designated for				
Landfill closure	-	-	-	270,844
Undesignated, reported in				
Special revenue funds	599,986	39,738	143,123	590,029
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Total fund balances (deficit)	599,986	39,738	143,123	860,873
Total liabilities and fund balances	\$ 849,938	\$ 46,360	\$ 161,331	\$ 958,049

Capital Projects						
Program Income Projects	Sheriff's Discretionary Funds	Industrial Development	2005 Bond Fund	Government Bond 2002	SSRB Economic Development	Economic Development and Capital Improvements
\$ 250	\$ 296,945	\$ 1,056,174	\$ -	\$ 3,642	\$ 355,864	\$ 2,429,831
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,261,895	-	-	-
<u>\$ 250</u>	<u>\$ 296,945</u>	<u>\$ 1,056,174</u>	<u>\$ 1,261,895</u>	<u>\$ 3,642</u>	<u>\$ 355,864</u>	<u>\$ 2,429,831</u>
\$ -	\$ 338,626	\$ 450,000	\$ 28,752	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	66,489	166,927	-	-	192,157
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>338,626</u>	<u>516,489</u>	<u>195,679</u>	-	-	<u>192,157</u>
-	-	-	1,066,216	-	355,864	2,237,674
-	-	-	-	-	-	-
250	(41,681)	-	-	-	-	-
-	-	539,685	-	3,642	-	-
-	-	-	-	-	-	-
<u>250</u>	<u>(41,681)</u>	<u>539,685</u>	<u>1,066,216</u>	<u>3,642</u>	<u>355,864</u>	<u>2,237,674</u>
<u>\$ 250</u>	<u>\$ 296,945</u>	<u>\$ 1,056,174</u>	<u>\$ 1,261,895</u>	<u>\$ 3,642</u>	<u>\$ 355,864</u>	<u>\$ 2,429,831</u>

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Debt Service			Total Nonmajor Governmental Funds
	County Debt Service	SSRB Canadays	Non GOB Debt Service	
Assets				
Cash and investments	\$ 1,812,119	\$ 556,159	\$ 2,506	\$ 11,036,776
Receivables, net of allowances				
Property taxes	1,323,827	-	-	1,323,827
Accounts	-	-	-	41,659
Other	-	-	-	89,392
Due from other funds	-	-	-	4,905
Due from other governments	4,501	-	-	343,621
Temporarily restricted				
Cash and investments	-	-	-	1,261,895
Total assets	\$ 3,140,447	\$ 556,159	\$ 2,506	\$ 14,102,075
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 817,386
Accrued payroll and related liabilities	-	-	-	55,418
Due to other funds	777,888	201,767	-	1,893,894
Due to other governments	-	-	-	248,892
Deferred revenues	1,311,357	-	-	1,670,422
Total liabilities	2,089,245	201,767	-	4,686,012
Fund Balances (Deficit)				
Reserved for				
Capital projects	-	-	-	3,659,754
Unreserved				
Designated for				
Landfill closure	-	-	-	270,844
Undesignated, reported in				
Special revenue funds	-	-	-	3,534,038
Capital projects funds	-	-	-	543,327
Debt service funds	1,051,202	354,392	2,506	1,408,100
Total fund balances (deficit)	1,051,202	354,392	2,506	9,416,063
Total liabilities and fund balances	\$ 3,140,447	\$ 556,159	\$ 2,506	\$ 14,102,075

COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue				
	Capital Improvements	Sheriff's Incentives	Special Grants	State Grant	Clerk of Court Unit Costs
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	13,052	769,140	-	107,829
Fines and fees	-	-	-	-	-
Interest income	70,935	1	22,183	-	140
Other income	-	-	111,464	-	-
Total revenues	<u>70,935</u>	<u>13,053</u>	<u>902,787</u>	<u>-</u>	<u>107,969</u>
Expenditures					
Current					
General government	-	-	8,336	-	-
Judicial	-	-	-	-	78,258
Public safety	42,520	13,822	352,247	-	-
Streets and highways	-	-	-	-	-
Sanitation	-	-	-	-	-
Recreation and culture	-	-	51,982	-	-
Health and human services	-	-	397,763	19,000	-
Economic development	-	-	40,000	-	-
Intergovernmental	-	-	-	-	-
Capital outlay	1,091,941	-	57,960	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>1,134,461</u>	<u>13,822</u>	<u>908,288</u>	<u>19,000</u>	<u>78,258</u>
Excess (deficiency) of revenues over expenditures	<u>(1,063,526)</u>	<u>(769)</u>	<u>(5,501)</u>	<u>(19,000)</u>	<u>29,711</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	44,343	-	-	-	-
Transfers in	217,005	-	53,537	-	-
Transfers out	-	-	(201,200)	-	(1,646)
Total other financing sources (uses)	<u>261,348</u>	<u>-</u>	<u>(147,663)</u>	<u>-</u>	<u>(1,646)</u>
Excess (deficiency) before special item	<u>(802,178)</u>	<u>(769)</u>	<u>(153,164)</u>	<u>(19,000)</u>	<u>28,065</u>
Special item					
Recovery of costs contributed to assist with development of industrial property	-	-	-	-	-
Net changes in fund balances	<u>(802,178)</u>	<u>(769)</u>	<u>(153,164)</u>	<u>(19,000)</u>	<u>28,065</u>
Fund balances (deficit)					
Beginning of year	<u>2,228,736</u>	<u>(3,022)</u>	<u>295,685</u>	<u>33,771</u>	<u>-</u>
End of year	<u>\$ 1,426,558</u>	<u>\$ (3,791)</u>	<u>\$ 142,521</u>	<u>\$ 14,771</u>	<u>\$ 28,065</u>

Special Revenue

Clerk of Court Incentives	Victims Witness Services	Animal Care and Control	Emergency Telephone	Promotion of Tourism Board	Special Project Tourism Board	County Promotion of Tourism Hospitality Tax
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 472,359
38,296	-	-	42,461	-	-	-
-	108,086	14,124	302,187	-	-	30
830	750	457	-	-	-	6,243
-	-	4,143	3,955	-	-	-
<u>39,126</u>	<u>108,836</u>	<u>18,724</u>	<u>348,603</u>	-	-	<u>478,632</u>
-	-	-	-	-	-	83
45,986	35,000	-	-	-	-	-
-	89,735	24,450	321,647	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	35,000
-	-	-	-	-	-	-
-	-	-	-	-	-	175,000
-	-	-	91,991	-	-	-
-	-	-	-	-	-	-
<u>45,986</u>	<u>124,735</u>	<u>24,450</u>	<u>413,638</u>	-	-	<u>210,083</u>
<u>(6,860)</u>	<u>(15,899)</u>	<u>(5,726)</u>	<u>(65,035)</u>	-	-	<u>268,549</u>
-	-	-	-	-	-	-
1,646	-	-	60,525	-	-	247,992
<u>1,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65)</u>	<u>(33)</u>	<u>(187,799)</u>
<u>1,646</u>	<u>-</u>	<u>-</u>	<u>60,525</u>	<u>(65)</u>	<u>(33)</u>	<u>60,193</u>
<u>(5,214)</u>	<u>(15,899)</u>	<u>(5,726)</u>	<u>(4,510)</u>	<u>(65)</u>	<u>(33)</u>	<u>328,742</u>
-	-	-	-	-	-	-
<u>(5,214)</u>	<u>(15,899)</u>	<u>(5,726)</u>	<u>(4,510)</u>	<u>(65)</u>	<u>(33)</u>	<u>328,742</u>
<u>96,829</u>	<u>72,853</u>	<u>32,780</u>	<u>123,192</u>	<u>65</u>	<u>33</u>	<u>(28,578)</u>
<u>\$ 91,615</u>	<u>\$ 56,954</u>	<u>\$ 27,054</u>	<u>\$ 118,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,164</u>

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue			
	County Accommo- dations Tax	Public Defender	Roads and Bridges	Solid Waste
Revenues				
Taxes	\$ 326,929	\$ -	\$ 880,801	\$ -
Intergovernmental revenues	-	46,228	-	83,174
Fees and service charges	-	-	-	466,213
Interest income	30,585	545	6,930	27,540
Other income	-	-	-	-
Total revenues	<u>357,514</u>	<u>46,773</u>	<u>887,731</u>	<u>576,927</u>
Expenditures				
Current				
General government	43	-	-	-
Judicial	-	261,532	-	-
Public safety	-	-	-	-
Streets and highways	-	-	1,563,589	-
Sanitation	-	-	-	1,764,920
Recreation and culture	65,184	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Intergovernmental	42,860	-	-	-
Capital outlay	-	-	108,242	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>108,087</u>	<u>261,532</u>	<u>1,671,831</u>	<u>1,764,920</u>
Excess (deficiency) of revenues over expenditures	<u>249,427</u>	<u>(214,759)</u>	<u>(784,100)</u>	<u>(1,187,993)</u>
Other financing sources (uses)				
Payment to refund debt	-	-	-	-
Transfers in	-	232,193	821,517	1,452,252
Transfers out	(367,508)	-	-	-
Total other financing sources (uses)	<u>(367,508)</u>	<u>232,193</u>	<u>821,517</u>	<u>1,452,252</u>
Excess (deficiency) before special item	<u>(118,081)</u>	<u>17,434</u>	<u>37,417</u>	<u>264,259</u>
Special item				
Recovery of costs contributed to assist with development of industrial property	-	-	-	-
Net changes in fund balances	<u>(118,081)</u>	<u>17,434</u>	<u>37,417</u>	<u>264,259</u>
Fund balances (deficit)				
Beginning of year	<u>718,067</u>	<u>22,304</u>	<u>105,706</u>	<u>596,614</u>
End of year	<u>\$ 599,986</u>	<u>\$ 39,738</u>	<u>\$ 143,123</u>	<u>\$ 860,873</u>

Capital Projects						
Program Income Projects	Sheriff's Discretionary Funds	Industrial Development	2005 Bond Fund	Government Bond 2002	SSRB Economic Development	Economic Development and Capital Improvements
\$ -	\$ -	\$ 139,438	\$ -	\$ -	\$ -	\$ -
-	278,067	-	-	-	-	-
-	87,310	-	-	-	-	-
-	1,901	15,214	117,331	80	14,902	98,743
-	-	-	-	-	-	-
-	367,278	154,652	117,331	80	14,902	98,743
-	-	-	-	-	-	35
-	-	-	-	10,400	-	-
-	102,109	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	60,000	-	-	-	-
-	-	36,950	-	-	-	-
-	-	-	102,334	-	-	-
-	184,547	-	2,859,298	-	-	759,288
-	-	-	-	-	-	-
-	-	45,347	-	-	-	-
-	286,656	142,297	2,961,632	10,400	-	759,323
-	80,622	12,355	(2,844,301)	(10,320)	14,902	(660,580)
-	14,263	-	-	-	-	-
-	(75,015)	-	-	-	-	-
-	(60,752)	-	-	-	-	-
-	19,870	12,355	(2,844,301)	(10,320)	14,902	(660,580)
-	-	205,210	-	-	-	-
-	19,870	217,565	(2,844,301)	(10,320)	14,902	(660,580)
250	(61,551)	322,120	3,910,517	13,962	340,962	2,898,254
\$ 250	\$ (41,681)	\$ 539,685	\$ 1,066,216	\$ 3,642	\$ 355,864	\$ 2,237,674

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007**

	Debt Service			Total Nonmajor Governmental Funds
	County Debt Service	SSRB Canadays	Non GOB Debt Service	
Revenues				
Taxes	\$ 1,537,455	\$ 830,844	\$ -	\$ 4,187,826
Intergovernmental revenues	-	-	-	1,378,247
Fees and service charges	-	-	-	977,950
Interest income	65,653	16,122	1,695	498,780
Other income	-	-	-	119,562
Total revenues	<u>1,603,108</u>	<u>846,966</u>	<u>1,695</u>	<u>7,162,365</u>
Expenditures				
Current				
General government	1,802	-	-	10,299
Judicial	-	-	-	431,176
Public safety	-	-	-	946,530
Streets and highways	-	-	-	1,563,589
Sanitation	-	-	-	1,764,920
Recreation and culture	-	-	-	152,166
Health and human services	-	-	-	476,763
Economic development	-	-	-	76,950
Intergovernmental	-	-	-	320,194
Capital outlay	-	-	-	5,153,267
Debt service				
Principal retirement	1,033,487	455,698	197,142	1,686,327
Interest and fiscal charges	492,285	180,068	109,556	827,256
Total expenditures	<u>1,527,574</u>	<u>635,766</u>	<u>306,698</u>	<u>13,409,437</u>
Excess (deficiency) of revenues over expenditures	<u>75,534</u>	<u>211,200</u>	<u>(305,003)</u>	<u>(6,247,072)</u>
Other financing sources (uses)				
Payment to refund debt	-	-	-	58,606
Transfers in	-	-	307,315	3,392,336
Transfers out	-	-	-	(831,620)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>307,315</u>	<u>2,619,322</u>
Excess (deficiency) before special item	75,534	211,200	2,312	(3,627,750)
Special item				
Recovery of costs contributed to assist with development of industrial property	-	-	-	205,210
Net changes in fund balances	75,534	211,200	2,312	(3,422,540)
Fund balances (deficit)				
Beginning of year	975,668	143,192	194	12,838,603
End of year	<u>\$ 1,051,202</u>	<u>\$ 354,392</u>	<u>\$ 2,506</u>	<u>\$ 9,416,063</u>

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
JUNE 30, 2007**

	Sheriff	Water- shed	Transportation Committee	Tax Collector	Clerk of Court	Magistrates	Probate Judge	Firemen's Fund	Schools	Total
Assets										
Cash and investments	\$ 83,248	\$ 388	\$ 4,638,987	\$ 696,351	\$ 653,599	\$ 91,069	\$ 22,702	\$ 96,929	\$ 2,116,714	\$ 8,399,987
Accounts receivable	-	-	136,785	-	-	-	-	105,744	87,788	330,317
Total assets	\$ 83,248	\$ 388	\$ 4,775,772	\$ 696,351	\$ 653,599	\$ 91,069	\$ 22,702	\$ 202,673	\$ 2,204,502	\$ 8,730,304
Liabilities										
Assets held for others	\$ 83,248	\$ 388	\$ 4,775,772	\$ 696,351	\$ 653,599	\$ 91,069	\$ 22,702	\$ 202,673	\$ 2,204,502	\$ 8,730,304
Total liabilities	\$ 83,248	\$ 388	\$ 4,775,772	\$ 696,351	\$ 653,599	\$ 91,069	\$ 22,702	\$ 202,673	\$ 2,204,502	\$ 8,730,304

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY FIRE AND RESCUE COMMISSION
BALANCE SHEET
JUNE 30, 2007**

	General	Capital Projects	Debt Service	Total
Assets				
Cash and investments	\$ 584,749	\$ -	\$ 391,656	\$ 976,405
Receivables, net of allowances				
Property taxes	1,913,734	-	186,983	2,100,717
Accounts	1,044,807	-	-	1,044,807
Due from primary government	18,003	-	24,691	42,694
Due from other governments	18,404	-	3,225	21,629
Temporarily restricted assets				
Cash and investments	-	143,714	-	143,714
Total assets	\$ 3,579,697	\$ 143,714	\$ 606,555	\$ 4,329,966
Liabilities and Fund Balances				
Liabilities				
Accrued payroll and related liabilities	\$ 77,148	\$ -	\$ -	\$ 77,148
Due to primary government	-	8,318	-	8,318
Deferred revenues	2,737,560	-	172,780	2,910,340
Total liabilities	2,814,708	8,318	172,780	2,995,806
Fund Balances				
Reserved for capital projects	-	135,396	-	135,396
Undesignated, reported in				
General fund	764,989	-	-	764,989
Debt service	-	-	433,775	433,775
Total fund balances	764,989	135,396	433,775	1,334,160
Total liabilities and fund balances	\$ 3,579,697	\$ 143,714	\$ 606,555	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$12,395,575 and the accumulated depreciation is \$5,023,321.	7,372,254
Disbursements for insurance policies reflected in the funds cover periods extending beyond year-end.	67,686
Costs associated with the issuance of long-term debt are deferred and amortized over the term of the debt.	21,882
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	\$ (7,580,099)
Accrued interest	(97,798)
Compensated absences payable	(131,207)
	(7,809,104)
Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds:	
Property taxes	\$ 192,595
Fees for emergency medical services	570,037
Net assets of governmental activities	\$ 1,749,510

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY FIRE AND RESCUE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	General	Capital Projects	Debt Service	Total
Revenues				
Taxes	\$ 2,394,512	\$ -	\$ 1,242,632	\$ 3,637,144
Intergovernmental revenues	2,188,048	-	-	2,188,048
Fines and fees	974,510	-	-	974,510
Interest income	26,592	39,272	17,326	83,190
Other income	1,578	-	-	1,578
Total revenues	5,585,240	39,272	1,259,958	6,884,470
Expenditures				
Current				
General government	-	15,045	-	15,045
Public safety	5,457,832	34,314	-	5,492,146
Capital outlay	35,251	1,242,335	-	1,277,586
Debt service				
Principal retirement	-	-	911,455	911,455
Interest and fiscal charges	-	-	322,120	322,120
Total expenditures	5,493,083	1,291,694	1,233,575	8,018,352
Excess (deficiency) of revenues over (under) expenditures	92,157	(1,252,422)	26,383	(1,133,882)
Other financing sources				
Sale of capital assets	1,549	-	-	1,549
Total other financing sources	1,549	-	-	1,549
Net changes in fund balance	93,706	(1,252,422)	26,383	(1,132,333)
Fund balances				
Beginning of year	671,283	1,387,818	407,392	2,466,493
End of year	\$ 764,989	\$ 135,396	\$ 433,775	\$ 1,334,160

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY FIRE AND RESCUE COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances - total governmental funds **\$ (1,132,333)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 1,277,586	
Depreciation expense	<u>(697,254)</u>	580,332

Costs associated with the issuance of long-term debt are expenditures in the governmental funds but are deferred and amortized over the term of the debt in the statement of net assets. (2,626)

Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues in the governmental funds. Similarly, other revenues that do not provide current financial resources are not reported as revenues in the fund statements.

Amounts not meeting prior year availability criteria, recognized in governmental funds in current year:

Property taxes	\$ (147,896)	
Fees for emergency medical services	(570,037)	

Amounts not meeting current year availability criteria, not recognized in governmental funds in current year:

Property taxes	192,595	
Fees for emergency medical services	<u>570,037</u>	44,699

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Principal repayments	\$ 911,455	911,455
----------------------	------------	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The details of net changes in such accruals are as follows:

Compensated absences	\$ (12,394)	
Accrued interest	<u>9,153</u>	<u>(3,241)</u>

Change in net assets of governmental activities		<u><u>\$ 398,286</u></u>
--	--	---------------------------------

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY MEMORIAL LIBRARY
BALANCE SHEET
JUNE 30, 2007**

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 48,832	\$ 4,766	\$ 53,598
Receivables	86	-	86
Due from other governments	-	-	-
Total assets	\$ 48,918	\$ 4,766	\$ 53,684
Liabilities and Fund Balances			
Liabilities			
Accrued payroll and other liabilities	\$ 7,992	\$ -	\$ 7,992
Due to primary government	7,464	4,400	11,864
Deferred revenues	8,231	-	8,231
Total liabilities	23,687	4,400	28,087
Fund Balances			
Undesignated, reported in			
General fund	25,230	-	25,230
Special revenue funds	-	366	366
Total fund balances	25,230	366	25,596
Total liabilities and fund balances	\$ 48,917	\$ 4,766	

Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$1,833,330 and the accumulated depreciation is \$1,390,067.

443,263

Disbursements for insurance policies reflected in the funds cover periods extending beyond year-end.

4,895

Long-term liabilities, such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.

(17,552)

Net assets of governmental activities

\$ 456,202

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY MEMORIAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Intergovernmental revenues	\$ 604,401	\$ 76,804	\$ 681,205
Donations	41,457	-	41,457
Interest income	1,962	185	2,147
Other income	24,865	-	24,865
Total revenues	<u>672,685</u>	<u>76,989</u>	<u>749,674</u>
Expenditures			
Current			
Recreation and culture	666,219	76,804	743,023
Total expenditures	<u>666,219</u>	<u>76,804</u>	<u>743,023</u>
Net changes in fund balance	6,466	185	6,651
Fund balances			
Beginning of year	<u>18,764</u>	<u>181</u>	
End of year	<u>\$ 25,230</u>	<u>\$ 366</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 188,325	
Depreciation expense	<u>(146,188)</u>	42,137

In the statement of activities, revenue from books contributed to the Library is reported. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements.

7,146

Expenses reported in the statement of activities for compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

(2,201)

Change in net assets of governmental activities

\$ 53,733

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY MEMORIAL LIBRARY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
State lottery funds	\$ -	\$ 118,546	\$ 118,546	\$ -
County appropriation	484,163	484,163	484,163	-
Other state grants	1,218	1,718	1,692	(26)
Fines and fees	-	-	24,865	24,865
Interest income	-	-	1,962	1,962
Donations	8,757	41,627	41,457	(170)
Total revenues	<u>494,138</u>	<u>646,054</u>	<u>672,685</u>	<u>26,631</u>
Expenditures				
Current				
Personnel costs	421,809	429,776	422,522	7,254
Administrative costs	32,868	153,506	172,764	(19,258)
Programs and materials	39,461	62,772	70,933	(8,161)
Total expenditures	<u>494,138</u>	<u>646,054</u>	<u>666,219</u>	<u>(20,165)</u>
Net changes in fund balance	-	-	6,466	6,466
Fund balances				
Beginning of year	<u>18,764</u>	<u>18,764</u>	<u>18,764</u>	-
End of year	<u>\$ 18,764</u>	<u>\$ 18,764</u>	<u>\$ 25,230</u>	<u>\$ 6,466</u>

OTHER FINANCIAL INFORMATION

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
YEAR ENDED JUNE 30, 2007**

Court fines, surcharges and assessments:	
Collected	\$ 2,104,404
Remitted to State Treasurer	<u>(1,096,509)</u>
Retained by County	<u>\$ 1,007,895</u>
Fines, surcharges and assessments retained by County:	
General fund	\$ 899,809
Victims advocate services	<u>108,086</u>
Total surcharges and assessments	<u>\$ 1,007,895</u>
Funds allocated to victims advocate service	
Carryover funds from prior year	\$ 72,853
Interest earned	750
Surcharges and assessments retained	108,086
Expenditures for victims advocate service	<u>(124,735)</u>
Total (over) under expenditure of victims advocate service funds	<u>\$ 56,954</u>

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Page 1 of 2

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through S.C. Department of Social Services			
Summer Food Service Program for Children	10.559	SF-134	\$ 182,604
Summer Food Service Program for Children	10.559	SF-134	<u>215,153</u>
Total U.S. Department of Agriculture			<u>397,757</u>
U.S. Department of Justice			
Direct			
Federal Equitable Sharing Program	16.000	N/A	<u>302,510</u>
Local Law Enforcement Block Grant	16.592	2004-LB-BX-1094	<u>6,496</u>
State Criminal Alien Assistance Program	16.606	2006-F3089-SC-AP	<u>876</u>
Bulletproof Vest Partnership Grant	16.607	2003BUBx03016707	<u>10,596</u>
DOJ-COPS Grant 2006	16.710	2006CKWXO296	<u>48,681</u>
Edward Brynes Memorial Justice Assistance Grant (JAG)	16.738	1G06027	43,470
Edward Brynes Memorial Justice Assistance Grant (JAG)	16.738	2006-DJ-BX-0388	<u>22,822</u>
	Total 16.738		<u>66,292</u>
Total U.S. Department of Justice			<u>435,451</u>
U.S. Department of Homeland Security			
Direct			
Citizens Corps Grant	97.067	6CCP01	145
Passed through S.C. Emergency Management Agency			
2005 Emergency Management Performance Grant	97.067	5EMPG01	<u>2,419</u>
	Total 97.067		<u>2,564</u>
2006 Emergency Management Performance Grant	97.042	6EMPG01	700
2007 Emergency Management Performance Grant	97.042	7EMPG01	<u>4,536</u>
	Total 97.042		<u>5,236</u>
Direct			
Assistance to Firefighters	97.044	EMW-2004-FG-19506	<u>1,509</u>
Total U.S. Department of Homeland Security			<u>9,309</u>
Institute of Museum and Library Services			
Passed through S.C. State Library			
IIA-Continuing Education	45.310	III-06-H87-15	<u>884</u>

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Page 2 of 2

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through S.C. Department of Social Services			
P.A.R.E.N.T. - Adolescent Pregnancy Prevention Initiatives	93.558	G70051T	<u>51,425</u>
Child Support Enforcement IV-D Incentive Payments	93.563	C70015C-4	38,296
Child Support Enforcement IV-D Sheriff's Department	93.563	C70061C-3	13,051
Child Support Enforcement IV-D Family Court	93.563	C70015C-3	<u>107,828</u>
	Total 93.563		<u>159,175</u>
Federal Financial Participation			
Family Preservation (CWS Part II)	93.556		203
Temporary Assistance for Needy Families - TANF Block Grant	93.558		4,175
Child Support Enforcement	93.563		3
Child Welfare Services - State Grant	93.645		273
Title IV-E Foster Care	93.658		760
Social Services Block Grant	93.667	Reimbursement from SCDHHS	1,018
Centers for Medicare and Medical Services (CMS) Medicaid Programs - Reimbursed by SCDHHS	93.778		1,375
USDA Food Nutrition Service (FNS) State Administration Matching Grant Food Stamp Program & FS Fraud	10.561		2,673
Child Care Development Fund	93.575		26
General/All State	93.596		<u>1,156</u>
Total Federal Financial Participation			<u>11,662</u>
Total U.S. Department of Health and Human Services			<u>222,262</u>
U.S. Election Assistance Commission			
Passed through S.C. State Election Commission			
Help America Vote Act of 2002	90.401	N/A	<u>7,842</u>
U.S Department of Transportation			
Passed through SC Department of Public Safety			
Highway Safety Traffic Unit Grant	20.601	2H07016	<u>116,492</u>
Direct			
Hazardous Materials and Emergency Planning (HMEP) Grant	20.703	HMESC6042140	<u>3,403</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,193,400</u></u>

The accompanying notes are an integral part of this schedule.

**COLLETON COUNTY, SOUTH CAROLINA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred.

**GOVERNMENT AUDITING STANDARDS
AND SINGLE AUDIT REPORTS**



BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

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***Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Basic Financial Statements Performed in
Accordance with Government Auditing Standards***

To the Members of County Council
Colleton County, South Carolina
Walterboro, South Carolina

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Colleton County, South Carolina**, as of and for the year ended June 30, 2007, which collectively comprise **Colleton County, South Carolina's** basic financial statements and have issued our report thereon dated November 29, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Colleton County Commission on Alcohol and Drug Abuse, a discretely presented component unit, as described in our report on **Colleton County, South Carolina's** financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Colleton County, South Carolina's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

To the Members of County Council
Colleton County, South Carolina
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Colleton County, South Carolina's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, County Council 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.

Bryan, Truesdale, Adkins & Williams, PA

November 29, 2007



BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Members of County Council
Colleton County, South Carolina
Walterboro, South Carolina

Compliance

We have audited the compliance of **Colleton County, South Carolina**, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. **Colleton County, South Carolina's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Colleton County, South Carolina's** management. Our responsibility is to express an opinion on **Colleton County, South Carolina's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Colleton County, South Carolina's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Colleton County, South Carolina's** compliance with those requirements.

In our opinion, **Colleton County, South Carolina**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of **Colleton County, South Carolina**, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Colleton County, South Carolina's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Colleton County, South Carolina's** internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects **Colleton County, South Carolina's** ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by **Colleton County, South Carolina's** internal control.

To the Members of County Council
Colleton County, South Carolina
Page Two

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by **Colleton County, South Carolina's** internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, County Council 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.

Bryan, Truesdale, Adkins & Williams, PA

November 29, 2007

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiencies(s) identified that are not considered to be material weakness(es)? ___ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement
20.601	Highway Safety Traffic Unit Grant
16.710	COPS Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes ___ no

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section II - Financial Statement Findings

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
NONE		

Section III - Federal Award Findings and Questioned Costs

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
NONE		

**COLLETON COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
NONE		