

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
COLLETON COUNTY, SOUTH CAROLINA
JUNE 30, 2011**

Colleton County, South Carolina

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Colleton County, South Carolina

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, the blended component unit, each major fund and aggregate remaining fund information of Colleton County, South Carolina, as of and for the year ended June 30, 2011, which collectively comprise Colleton 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 audits. We did not audit the financial statements of the Colleton County Commission on Alcohol and Drug Abuse which statements reflect total assets of \$406,077 as of June 30, 2011, and total revenues of \$868,663 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions on the financial statements, insofar as it relates to the amounts included for the Colleton County Commission on Alcohol and Drug Abuse in the component unit column, is based solely on the report of the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 financial position of the governmental activities, the discretely presented component units, the blended component unit, each major fund and the aggregate remaining fund information of Colleton County, South Carolina, as of June 30, 2011, and the respective changes in financial position 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 a report dated January 6, 2012, 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 important for assessing the results of our audit Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, post-employment healthcare information, and budgetary comparison information on pages 13 through 24, page 69, and page 68 respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Colleton County, South Carolina's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
January 6, 2012

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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 the County for the fiscal year ending June 30, 2011 (fiscal 2011.) 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 \$30,251,932 as of June 30, 2011, compared to \$29,998,525 at the end of the previous fiscal year.
- The County's total general fund liabilities at June 30, 2011, were \$21,514,129 compared to \$22,562,033 at the end of the previous fiscal year.
- As of the close of fiscal 2011, County Governmental Funds reported combined ending fund balances of \$19,109,525. This represents an increase of \$3,145,182 or 19.7% from the prior fiscal year. The two primary reasons for the increase were the \$2,452,000 proceeds received from a lease purchase financing and the \$1,301,311 excess of revenue over expenditures from county operations. The composition of fund balances at June 30, 2011, was as follows:

General Fund		
Unreserved and available for governmental operations	\$ 8,735,361	45.71%
Reserved for prepaid expenses	2,442	.01%
Special Revenue Funds		
Designated for future landfill post-closure	380,944	1.99%
Undesignated	2,674,025	13.99%
Capital Projects Funds		
Reserved for future capital expenditures	722,624	3.78%
Undesignated	4,515,513	23.63%
Debt Service funds available for future General Obligation Bond payments	<u>2,078,616</u>	<u>10.89%</u>
	<u>\$ 19,109,525</u>	<u>100.00%</u>

- During fiscal 2011 the County's long-term debt position increased by \$1,438,261 or 6.53%. Increased borrowing of \$2,500,000 was offset by scheduled debt retirements of \$3,938,261 along with the retirement of Series 2003A debt largely offset the new borrowing as described more fully in the Debt Administration section of this report.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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 25 and 26 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, 2011. 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 27 to 33, 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, 2011**

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 funds balance sheets and the governmental funds statements 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 72 to 83 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 84 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 35 to 65 of this report.

Government-wide Financial Analysis

As noted earlier, over time net assets may serve 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. The County's total assets exceeded liabilities by \$48,686,240 at June 30, 2011, as compared to \$43,106,099 at June 30, 2010.

\$30,234,540 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, 2011, as compared to \$26,613,252 at June 30, 2010.

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, 2011, the County has net assets restricted for Debt Service in the amount of \$2,078,616, as compared to \$2,099,321 restricted at June 30, 2010.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 43,969,885	\$ 42,187,149
Capital assets	<u>42,821,789</u>	<u>40,518,313</u>
Total assets	<u>86,791,674</u>	<u>82,705,462</u>
Liabilities		
Long-term liabilities	15,336,547	15,146,294
Other liabilities	<u>22,768,887</u>	<u>24,453,069</u>
Total liabilities	<u>38,105,434</u>	<u>39,599,363</u>
Net Assets		
Investment in capital assets, net of related debt	30,234,540	26,613,252
Fund balance:		
Nonspendable	296,446	256,516
Restricted	2,470,838	2,399,830
Committed	722,624	
Assigned	6,038,247	5,554,112
Unassigned	<u>8,923,545</u>	<u>8,282,389</u>
Total net assets	<u>\$ 48,686,240</u>	<u>\$ 43,106,099</u>

At June 30, 2011, \$398,076 is being held by the County as restricted cash and investments to be used primarily for the planned cost of the landfill postclosure care costs.

At the end of the current fiscal year, the County 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, 2011**

**Colleton County, South Carolina
Changes in Net Assets (Recapped)
For the Fiscal Years Ended June 30, 2011 and 2010**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues		
Charges for services	\$ 7,225,688	\$ 3,977,281
Operating grants and contributions	2,049,525	3,225,446
Capital Grants and contributions	3,181,056	621,186
General Revenues		
Property Taxes	14,527,824	13,712,510
Other Taxes	9,134,184	9,286,666
Grants and Contributions not restricted to Specific Programs	1,419,929	1,755,788
Unrestricted Revenue	89,429	52,452
Gain on Sale of Capital Assets	129,976	95,889
Misc./Other Income	24,912	108,356
Total Revenue	<u>37,782,523</u>	<u>32,835,574</u>
Expenses:		
Governmental Activities:		
General Government	7,228,887	6,593,093
Judicial	5,010,233	1,973,222
Public Safety	8,244,482	10,232,152
Streets and Highways	2,313,953	1,774,066
Sanitation	2,244,813	1,730,522
Recreation and Culture	819,698	1,285,985
Health and Human Services	1,818,338	1,084,829
Economic Development	380,812	259,688
Intergovernmental	3,485,734	250,113
Interest and fiscal charges	655,432	3,422,305
Total Expenses	<u>32,202,382</u>	<u>28,605,975</u>
Increase in Net Assets	5,580,141	4,229,599
Net assets Beginning of Year	<u>43,106,099</u>	<u>38,876,500</u>
Net Assets End of Year	<u>\$48,686,240</u>	<u>\$43,106,099</u>

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Required Supplementary Information – Required Supplementary Information includes the Budgetary Comparison Schedule presented on pages 68 and 69 of this report. The format presented is required by the Governmental Accounting Standards Board (GASB) Statements 34 and 54 and highlights the differences between the budgetary basis of accounting for the County and Generally Accepted Accounting Principles (GAAP).

Financial Analysis of the Government's Funds

As noted earlier, the 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 County's governmental funds reporting combined ending fund balances at June 30, 2011, as compared to June 30, 2010:

**GOVERNMENTAL FUND BALANCES
JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>% Total</u>
Reserved for				
Prepays	\$ 2,442	\$ -	\$ 2,442	0.01%
Capital Projects	-	722,624	722,624	3.78%
Unreserved				
Designated for postclosure landfill costs	-	380,944	380,944	1.99%
Undesignated, reported in				
General fund	8,735,361	-	8,735,361	45.71%
Special revenue funds	-	2,674,025	2,674,025	13.99%
Capital projects	-	4,515,513	4,515,513	23.63%
Debt service funds	-	2,078,616	2,078,616	10.88%
Total fund balance	<u>\$ 8,737,803</u>	<u>\$ 10,371,722</u>	<u>\$ 19,109,525</u>	<u>100.00%</u>

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

**GOVERNMENTAL FUND BALANCES
June 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>% Total</u>
Reserved for				
Prepays	\$ 2,442	\$ -	\$ 2,442	0.01%
Capital Projects	-	722,624	722,624	3.78%
Unreserved				
Designated for postclosure landfill costs	-	380,944	380,944	1.99%
Undesignated, reported in				
General fund	8,735,361	-	8,735,361	45.71%
Special revenue funds	-	2,674,025	2,674,025	13.99%
Capital projects	-	4,515,513	4,515,513	23.63%
Debt service funds	-	2,078,616	2,078,616	10.88%
Total fund balance	<u>\$ 8,737,803</u>	<u>\$ 10,371,722</u>	<u>\$ 19,109,525</u>	<u>100.00%</u>

Capital Fund: At June 30, 2011, \$2,895,275 was available for appropriation by County Council, which represents an increase of \$1,576,887 as compared to \$1,318,388 available for appropriation at June 30, 2010.

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 \$747,205 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, 2011, as compared to \$856,009 for June 30, 2010.

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, 2011 budget, the amount needed to sustain operations without borrowing funds is projected to be at a minimum of \$7.7 million or approximately 88.5% of the total June 30, 2011, General Fund Undesignated Fund Balance.

The 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, 2011**

General Fund Budgetary Highlights

The County's General Fund Budget was originally balanced for the fiscal year ending June 30, 2011 using a \$500,000 fund balance appropriation and with expenditures totaling \$22,530,479. As amended, the final budgeted expenditures were \$25,338,706 with no fund balance appropriation. The increased expenditures in the amended budget versus the original budget included the transfer of \$2,452,446 in lease/purchase proceeds (previously unbudgeted) to the capital special revenue fund. The County completed fiscal 2011 with a \$1,301,311 surplus. The surplus was realized due to strong spending constraints producing a favorable \$1,019,777 expenditure variance and a \$281,787 favorable revenue variance. See the notes to the Budgetary Comparison Schedule on page 68 for additional information.

Capital Asset and Debt Administration

Capital Assets – the County's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$42,821,789 (net of accumulated depreciation) as compared to \$40,518,313 at June 30, 2010. 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 fiscal 2011 include some of the following:

- Ongoing development of the County Commerce Center project
- Warshaw building renovations
- Vehicles for Public Safety and Solid Waste acquired
- Heavy equipment for Public Works and Solid Waste acquired
- Land and Land improvements for future Fire/Rescue stations
- Development of the Quick Jobs Center
- Farmer's Market Relocation
- Museum relocation
- Renovations to the Recreation Center

Additional information on the County's capital assets can be found on pages 50 to 52 in the notes to the financial statements.

Debt Administration – At June 30, 2011, Colleton County had total debt outstanding of \$14,434,223 compared to outstanding debt at June 30, 2010 totaling \$14,282,205, which represents a 1.06% increase from the prior fiscal year. During fiscal 2008 the County entered into a \$2,500,000 lease/purchase financing arrangement for the purpose of financing the construction of a new ballfield quadrangle at the recreation center.

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 2010 Tax Assessments is \$13,220,504 for fiscal year ending June 30, 2011, which represents a 3.9% increase from the prior year capacity of \$12,725,981 at June 30, 2010.

The Colleton County Fire and Rescue Commission had total debt outstanding of \$6,166,790 at June 30, 2011 representing a 20.5% decrease from the June 30, 2010, outstanding debt of \$7,757,069.

Debt Rating Upgrade - On March 4, 2008, Moody's Investor Services assigned an A3 rating to the County's Fire Protection Service General Obligation Bonds, Series 2008 and concurrently upgraded the rating on previously issued parity debt outstanding from Baa1 to A3. Standard & Poor's rated this Series 2008 debt A. Standard & Poor's previously rated County debt BBB+. The County is rated high in financial management but with limited tax base growth.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Economic Factors and Next Year's Budget

For FY 2011, the South Carolina General Assembly passed budget cuts that included a \$335,859 reduction in the Local Government Fund from the 2010 funding level. Furthermore, for FY 2012, the legislature has reduced the LGF funding level by an additional \$160,608 in 2012. To summarize over the fiscal years 2011 and 2012, the County will lose \$496,467 in Local Government fund revenue.

If the County continues to experience revenue declines from the LGF and other sources, the ability of the County to offset those losses with other forms of income will be limited. Since Act 388 was passed by the state legislature in 2007, the ability of the County to manage its tax receipts is limited to the combination of population growth and inflation. The County intends to essentially stay the course and continue offsetting expected revenue softness with spending constraint.

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.

Colleton County, South Carolina

STATEMENT OF NET ASSETS

June 30, 2011

	Component Units			
	Governmental Activities	Memorial Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse
Assets				
Cash and cash equivalents	\$ 3,515,899	\$ 62,012	\$ 3,858	\$ 332,193
Investments	16,578,002	-	2,087,999	-
Receivables, net of allowances				
Property taxes	19,351,049	-	4,147,890	-
Account	53,033	-	1,218,331	33,425
Other	42,813	212	734	-
Interest	126	-	-	-
Due from component units	130,614	-	-	-
Due from primary government	-	4,074	590,432	-
Due from agency funds	1,334,495	-	-	-
Due from other governments	1,791,506	1,402	1,503	40,459
Due from third parties	477,826	-	57,715	-
Prepays and deposits	210,246	5,329	91,225	-
Bond issuance costs, net	86,200	-	44,805	-
Temporarily restricted assets				
Cash and investments	398,076	-	-	-
Capital assets				
Nondepreciable				
Land	6,264,329	-	345,017	-
Construction in progress	4,325,938	-	4,305	-
Assets held for resale	4,640,776	-	-	-
Depreciable, net of accumulated depreciation	27,590,746	293,876	6,731,794	-
Total assets	<u>\$ 86,791,674</u>	<u>\$ 366,905</u>	<u>\$ 15,325,608</u>	<u>\$ 406,077</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 1,294,037	\$ 797	\$ 271,552	\$ 8,242
Accrued liabilities	603,715	20,463	134,100	-
Due to primary government	-	-	130,614	20,018
Due to agency funds	2,041,716	-	-	-
Due to component units	594,506	-	-	-
Due to other governments	73,966	-	-	-
Due to third parties	182,699	-	-	-
Unearned revenues	17,385,190	9,454	3,592,297	-
Accrued interest	186,285	-	75,942	-
OPEB obligation	406,773	10,840	124,856	-
Noncurrent liabilities				
Due within one year	3,082,244	3,054	1,624,924	6,013
Due in more than one year	12,254,303	14,912	4,707,338	11,386
Total liabilities	<u>38,105,434</u>	<u>59,520</u>	<u>10,661,623</u>	<u>45,659</u>
Net assets				
Invested in capital assets, net of related debt	30,234,540	293,876	1,892,124	-
Fund Balance:				
Nonspendable	296,446	5,329	136,030	-
Restricted	2,470,838	-	921,260	-
Committed	722,624	-	-	-
Assigned	6,038,247	8,180	1,714,571	-
Unassigned	8,923,545	-	-	360,418
Total net assets	<u>48,686,240</u>	<u>307,385</u>	<u>4,663,985</u>	<u>360,418</u>
Total liabilities and net assets	<u>\$ 86,791,674</u>	<u>\$ 366,905</u>	<u>\$ 15,325,608</u>	<u>\$ 406,077</u>

The notes are an integral part of these financial statements.

Colleton County, South Carolina
STATEMENT OF ACTIVITIES
Year ended June 30, 2011

	Program Revenue			Governmental Activities	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Memorial Library	Fire and Rescue Commission
Primary Government							
Governmental activities							
General government	\$ 7,228,887	\$ 434,053	\$ 210,435	\$ (6,517,985)			
Judicial	5,010,233	3,052,629	859,337	(1,098,267)			
Public safety	8,244,482	512,453	319,946	(7,215,895)			
Streets and highways	2,313,953	913,889	-	(1,400,064)			
Sanitation	2,443,813	1,443,781	35,365	(765,667)			
Recreation and culture	819,698	160,145	105,561	(317,821)			
Health and human services	1,818,338	708,738	512,274	(597,326)			
Economic development	380,812	-	6,607	2,308,078			
Intergovernmental	3,485,734	-	-	(3,485,734)			
Interest and fiscal charges	655,432	-	-	(655,432)			
Total governmental activities	32,202,382	7,225,688	2,049,525	(19,746,113)			
Component Units							
Memorial Library	687,790	21,565	120,249	-	\$ (545,977)		
Fire and Rescue Commission	8,228,273	1,923,161	75,360	-	-	\$ (6,229,752)	
Alcohol and Drug Abuse	1,005,044	73,211	790,706	-	-	-	\$ (141,127)
Total Component units	\$ 9,921,107	\$ 2,017,937	\$ 986,315	\$ -	(545,977)	(6,229,752)	(141,127)

General Revenues	
Taxes:	
Property	14,527,824
Vehicle	1,201,271
Manufacturers	44,667
Homestead	843,235
Motor carrier	122,541
Delinquent	1,729,909
Local option sales tax	1,917,716
Fees in lieu of taxes	1,570,674
Local accommodations	352,874
Hospitality	512,193
Sales tax	683,954
Inventory	89,899
Franchise fees	65,251
Grants and contributions not restricted to specific programs	1,419,929
Unrestricted revenue from use of money and property	89,429
Gain on sale of assets	129,976
Miscellaneous	24,912
Total general revenues	25,326,254
Change in net assets	5,580,141
Net assets - beginning of year	43,106,099
Net assets - end of year	\$ 48,686,240

The notes are an integral part of these financial statements.

Colleton County, South Carolina
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 226,459	\$ 3,289,452	\$ 3,515,911
Investments	10,788,377	5,789,625	16,578,002
Receivables			
Property taxes	16,928,559	2,422,490	19,351,049
Accounts	-	53,033	53,033
Other	231,880	5,574	237,454
Due from General Fund	-	1,999,053	1,999,053
Due from third parties	-	286,348	286,348
Due from other Funds	699,859	-	699,859
Due from component units	130,614	-	130,614
Due from other governments	1,241,669	568,153	1,809,822
Prepaid expenses	2,442	-	2,442
Temporarily restricted			
Cash and investments	2,073	396,003	398,076
	<u>\$ 30,251,932</u>	<u>\$ 14,809,731</u>	<u>\$ 45,061,663</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 494,905	\$ 802,088	\$ 1,296,993
Accrued Payroll and other liabilities	346,203	114,046	460,249
Due to general fund	-	699,858	699,858
Due to other funds	1,999,053	-	1,999,053
Due to component units	594,506	-	594,506
Due to other governments	149,700	2,850	152,550
Due to third parties	174,131	73,455	247,586
Due to agency funds	707,221	-	707,221
Deferred revenue	17,048,410	2,745,712	19,794,122
	<u>21,514,129</u>	<u>4,438,009</u>	<u>25,952,138</u>
Fund balances			
Nonspendable	2,442	-	2,442
Restricted	-	4,752,641	4,752,641
Committed	-	722,624	722,624
Assigned	-	4,896,457	4,896,457
Unassigned	8,735,361	-	8,735,361
	<u>8,737,803</u>	<u>10,371,722</u>	<u>19,109,525</u>
Total fund balance	<u>8,737,803</u>	<u>10,371,722</u>	<u>19,109,525</u>
Total liabilities and fund balance	<u>\$ 30,251,932</u>	<u>\$ 14,809,731</u>	<u>\$ 45,061,663</u>

The notes are an integral part of these financial statements.

Colleton County, South Carolina
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
June 30, 2011

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

Total fund balances - governmental funds	\$	19,109,525
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	65,287,445	
Accumulated depreciation	(22,465,656)	
		42,821,789

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

Property taxes	2,362,315	
Other	25,770	
		2,388,085

Disbursements for insurance coverage reflected in the funds cover periods extending beyond year-end.		210,246
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Costs associated with the issuance of long-term debt are deferred and amortized over the term of the debt.		86,200
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Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.

General obligation bonds	(5,985,600)	
Note payable	(829,808)	
Special source revenue bonds	(4,063,349)	
Capital leases	(3,555,466)	
Compensated absences	(521,380)	
Landfill closure and post closure cost	(380,944)	
Accrued interest	(186,285)	
OPEB obligation	(406,773)	
		(15,929,605)

Total net assets - governmental activities	\$	48,686,240
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The notes are an integral part of these financial statements.

Colleton County, South Carolina
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
Year ended June 30, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Taxes	\$ 19,778,191	\$ 5,188,235	\$ 24,966,426
Intergovernmental revenues	1,663,491	5,085,324	6,748,815
Fines, fees, and service charges	1,371,621	1,102,872	2,474,493
Interest income	42,019	47,319	89,338
Other income	20,032	104,388	124,420
Total revenue	<u>22,875,354</u>	<u>11,528,137</u>	<u>34,403,492</u>
Expenditures			
Current			
General government	6,723,509	33,035	6,756,544
Judicial	1,301,211	1,043,740	2,344,951
Public safety	6,651,902	693,776	7,345,678
Streets and highways	65,415	1,542,649	1,608,064
Sanitation	-	1,917,542	1,917,542
Recreation and culture	57,041	704,220	761,261
Health and human services	468,918	533,365	1,002,283
Economic development	215,830	19,663	235,493
Intergovernmental	3,284,039	157,551	3,441,590
Capital Outlay			
General government	55,814	638,559	694,373
Judicial	-	27,998	27,998
Public safety	-	306,633	306,633
Streets and highways	-	19,252	19,252
Sanitation	-	206,259	206,259
Recreation and culture	-	866,984	866,984
Health and human services	-	177,972	177,972
Economic development	-	3,125,375	3,125,375
Debt Service			
Principal retirement	614,793	1,733,189	2,347,982
Interest and fiscal charges	80,895	595,354	676,249
Total expenditures	<u>19,519,367</u>	<u>14,343,117</u>	<u>33,862,483</u>
Excess (deficiency) of revenue over (under) expenditures	3,355,987	(2,814,980)	541,009
Other financing sources (uses)			
Proceeds from lease purchase	2,452,446	-	2,452,446
Proceeds from sale of capital assets	-	39,330	39,330
Insurance proceeds	41,027	71,372	112,399
Transfers in	251,413	6,169,377	6,420,790
Transfers out	(4,799,562)	(1,621,227)	(6,420,789)
Total other financing sources (uses)	<u>(2,054,676)</u>	<u>4,658,852</u>	<u>2,604,176</u>
Net change in fund balance	1,301,311	1,843,872	3,145,185
Fund balances			
Beginning of year	7,436,492	8,527,851	15,964,343
End of year	<u>\$ 8,737,803</u>	<u>\$ 10,371,723</u>	<u>\$ 19,109,528</u>

The notes are an integral part of these financial statements.

Colleton County, South Carolina
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - CONTINUED
Year ended June 30, 2011

Total net change in fund balances - total governmental funds \$ 3,145,184

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay	5,424,846	
Depreciation expense	<u>(3,052,741)</u>	
		2,372,105

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

Cost of capital assets	626,716	
Accumulated depreciation	<u>(609,859)</u>	
Net book value		16,857

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 funds.

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

Property taxes	(1,768,533)	
Other	(321,807)	

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

Property taxes	2,362,315	
Other	<u>27,121</u>	
		299,096

The notes are an integral part of these financial statements.

Colleton County, South Carolina
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - CONTINUED
Year ended June 30, 2011

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	46,093	
Landfill closure and postclosure cost	(84,328)	
OPEB obligation	(122,775)	
Accrued interest	20,828	
	(140,182)	(140,182)

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. 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:

Debt issued or repaid:		
General obligation bonds	1,021,336	
Note payable	146,660	
Special source revenue bonds	483,495	
Capital leases	(1,755,955)	
Amortization of bond issue costs	(9,532)	
	(113,996)	(113,996)

Disbursements for insurance policies that cover periods extending beyond year-end are expenditures in the governmental funds but are deferred and amortized over the policy period in the statement of net assets.

1,077

Change in net assets of governmental activities	\$ 5,580,141	
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The notes are an integral part of these financial statements.

Colleton County, South Carolina
 STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
 June 30, 2011

	Agency Funds
Assets	
Cash and equivalents	\$ 2,181,987
Investments	9,729,282
Accounts receivable - other	806
Due from primary government	2,041,716
Due from other governments	161,850
Due from third parties	70,790
Total assets	\$ 14,186,431
 Liabilities	
Accounts payable	\$ 6,647
Due to primary government	1,336,366
Assets held for others	12,843,418
Total liabilities	\$ 14,186,431

The notes are an integral part of these financial statements.

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Colleton County, South Carolina (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board ("FASB") statements and interpretations issued on or before November 30, 1989 to its governmental activities at the government-wide financial reporting level, provided they do not conflict with or contradict GASB pronouncements. The most significant accounting principles utilized by the County are described below.

A. Reporting Entity

Colleton County, South Carolina (the County), is governed by a five-member County Council (the Council) under the Council-Administrator form of government, pursuant to the South Carolina Home Rule Act. Members of the 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 the 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 culture institutions, economic development, and other miscellaneous services (intergovernmental and private nonprofit support).

As required by generally accepted accounting principles, these financial statements present the County (primary government) and its 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 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 the 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.

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Discretely Presented Component Units

The nine members of the Colleton County Memorial Library's (the Library) governing board are appointed by the Council. The Library is fiscally dependent upon the government because the 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 the 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 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 the 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, 29488.

B. Government-wide and Fund 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 nonfiduciary 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.

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.

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

C. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Government 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 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 the first 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): 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 are recorded as revenue when received in cash because they are generally not measurable until actually received.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment of receivables due within the

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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.

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 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 Cannady's 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.

Additionally, the County reports the following fund types.

The 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues report for the various functions concerned.

Amounts reported as program revenues include 1) charges for services provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is government'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.

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 are 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.

3. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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, of the previous year. 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.

4. Prepaid items

Certain payments to vendors for services that will benefit period beyond June 30, 2011 are recorded as prepaid items using the consumption method by recording the asset for the prepaid amount and reflecting the expenditure/expense in the year which the services are consumed. Prepaid items of governmental funds in the fund financial statements are offset by an equal amount with a reserve of fund balance to indicate that they are not available for general appropriation.

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, and 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.

Colleton County, South Carolina

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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:

	Years		
	County	Component Units (Library and Fire and Rescue)	Component Unit (Alcohol and Drug)
Buildings and improvements			
Buildings	45	45	N/A
Buildings and 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	20	N/A	N/A

7. Compensated absences

It is the policy of the County and its component units 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.

Colleton County, South Carolina
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8. 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 is 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.

9. Fund Equity

Government-Wide Financial Statements

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action it employed to

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previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The County recognizes committed fund balances that have been approved for specific purposes by County Council before the year end.

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Government-wide and fund financial statements must be presented using an all-inclusive format. That is, the results of the current period's activities are to be reported as an addition to (or a deduction from) equity at the beginning of the period to arrive at the closing equity balance. Thus changes in net assets on the government-wide statement of activities is added to (or deducted from) net assets - beginning of the fiscal year to arrive at net assets - end of the fiscal year.

Net assets are defined as the difference between assets and liabilities in the government-wide statement of net assets.

The government-wide statement of net assets reports all government's assets; therefore, a significant portion of the net assets reported there typically reflects a government's investment in capital assets. To draw financial statement users' attention to this important information, GAAP requires the amount of net assets invested in capital assets to be reported as a separate category of net assets. Net assets invested in capital assets, net of related debt includes all capital assets less accumulated depreciation and outstanding principal of related debt.

Restrictions may be imposed on a portion of a government's net assets by parties outside the government (such as creditors, grantors, contributors). In some cases, such restricted assets are directly associated with particular liabilities (for instance, restricted assets associated with revenue bonds). An amount equal to these restricted assets, less any related liabilities, is reported as restricted net assets.

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GAAP direct that the difference between total net assets and the two categories discussed above (invested in capital assets, net of related debt and restricted net assets) be reported as unrestricted net assets.

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 balance 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.

10. Claims and judgments

All claims and judgments are accrued in the government-wide financial statements when 1) it is 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.

11. 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the special revenue fund and the capital project funds. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund, function, and department. The government's departmental heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations is the fund level. The council may make several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the general fund were not material.

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B. 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 designations 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.

C. Fund Equity Deficits

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

Fund	Deficit	Resource for Elimination
Special Revenue Funds		
Sheriff's Title IVD	\$381	Future revenues

NOTE 3 – 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.

As of June 30, 2011, the County had the following investment maturities:

Investment Type	Fair Value
Repurchase agreements	\$21,592,072
Certificates of deposits	3,760,354
Total fair value	\$25,352,426

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.

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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. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating agencies;
3. General obligations of the State of South Carolina or any of its political units;
4. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
5. 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
6. 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, 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 to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created by state legislation, 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 if such obligations bear any of the three highest rankings of at least two nationally recognized rating services. The SCLGIP is a 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.

Colleton County, South Carolina
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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.

See below for additional information regarding investment credit risk and concentration of credit risk.

	Fair Value at June 30, 2011	Percentage of Portfolio	Credit Rating
Repurchase agreements	\$21,592,072	62%	Unrated
Certificates of deposit	3,760,354	11%	N/A
Total investments	25,352,426		
Carrying value of cash in banks on hand	9,354,229	27%	N/A
Deposits and investments held by County Treasurer	<u>\$34,706,655</u>	<u>100%</u>	

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 be 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, 2011, the County's bank balance of \$34,252,209 was fully collateralized by pledging financial institutions trust departments 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 possession of an outside party. The County does not have a formal investment policy regarding custodial credit risk.

As of June 30, 2011, \$21,592,072 of investments was in repurchase agreements held by the counterparty or its trust department or agent for the County.

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NOTES TO THE FINANCIAL STATEMENTS
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B. Receivables

Receivables as of year-end for the County's individual major fund and nonmajor 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	\$18,022,869	\$2,693,482	\$4,452,082	\$ -	\$ -
Accounts	-	120,475	7,080,040	-	33,425
Interest	126	-	-	-	-
Other	231,754	2,039	734	212	-
Gross receivables	<u>18,254,749</u>	<u>2,815,996</u>	<u>11,532,856</u>	<u>212</u>	<u>33,425</u>
Less: Allowance for uncollectibles					
Taxes	1,094,310	270,992	304,192	-	-
Accounts	-	67,442	5,861,709	-	-
Total allowance	<u>1,094,310</u>	<u>338,434</u>	<u>6,165,901</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$17,160,439</u>	<u>\$2,477,562</u>	<u>\$5,366,955</u>	<u>\$212</u>	<u>\$33,425</u>

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, 2011, the various components of deferred and unearned revenue reported in the governmental funds were as follows:

	Fund Statement	Government-wide
Unavailable		
Property taxes receivable	\$2,334,181	\$ -
Landfill charges and user fees	28,133	-
Other	46,617	-
Total unavailable	<u>2,408,931</u>	<u>-</u>
Unearned		
Contributions and grants recorded prior to meeting all eligibility requirements	527,805	527,805
Property taxes receivable	16,857,386	16,857,386
Total unearned	<u>17,385,191</u>	<u>17,385,191</u>
Total deferred revenues, governmental funds	<u>\$19,794,122</u>	
Total unearned revenues, government-wide		<u>\$17,385,191</u>

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

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At June 30, 2011, the various components of deferred and unearned revenue report in the component units were as follows:

Fire and Rescue Fund

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 547,521	\$ -
Fees for emergency medical services	1,095,211	-
Other	8,616	-
Total unavailable	1,651,348	-
Unearned		
Contributions and grants recorded prior to meeting all eligibility requirements		
Property taxes receivable	3,592,297	3,592,297
Total unearned	3,592,297	3,592,297
Total deferred revenues, governmental funds	\$5,243,645	
Total unearned revenues, government-wide		\$3,592,297

Library Fund

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ -	\$ -
Fees for emergency medical services	-	-
Other	-	-
Total unavailable	-	-
Unearned		
Contributions and grants recorded prior to meeting all eligibility requirements	9,454	9,454
Property taxes receivable	-	-
Total unearned	9,454	9,454
Total deferred revenues, governmental funds	\$ 9,454	
Total unearned revenues, government-wide		\$ 9,454

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

D. Interfund Receivables and Payables

The interfund receivables and payables at June 30, 2011 were as follows:

	Receivable Fund	Payable Fund
Major governmental Funds		
General	\$ 699,859	\$ 1,999,053
Nonmajor Governmental Funds	1,999,053	699,859
Total interfund balances	\$ 2,698,912	\$ 2,698,912

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, 2011 consisted of the following:

	Transfer In	Transfer Out
Major governmental Funds		
General	\$ 251,413	\$ 4,799,562
Nonmajor Governmental Funds	6,169,377	1,621,228
Total interfund balances	\$ 6,420,790	\$ 6,420,790

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.

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NOTES TO THE FINANCIAL STATEMENTS
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Capital Assets

Primary government

Capital asset activity for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Transfers	Dispositions	Balance June 30, 2011
Governmental activities					
Capital Assets not being depreciated					
Land	\$1,534,864	\$221,947	\$ -	\$ -	\$1,756,811
Land – infrastructure	4,507,518	-	-	-	4,507,518
Asset held for sale	4,640,776	-	-	-	4,640,776
Construction in progress	830,569	3,626,369	(131,001)	-	4,325,937
Total capital assets not being depreciated	<u>11,513,727</u>	<u>3,848,316</u>	<u>(131,001)</u>	<u>-</u>	<u>15,231,042</u>
Capital assets being depreciated					
Buildings and improvements	19,784,007	210,696	-	-	19,994,703
Improvements other than buildings	3,844,489	485,588	-	-	4,330,077
Equipment and vehicles	16,593,915	828,480	131,001	(626,716)	16,926,680
Infrastructure	8,804,949	-	-	-	8,804,949
Total assets being depreciated	<u>49,027,360</u>	<u>1,524,764</u>	<u>131,001</u>	<u>(626,716)</u>	<u>50,056,409</u>
Accumulated Depreciation					
Buildings and improvements	(5,607,595)	(890,775)	-	-	(6,498,370)
Improvements other than buildings	(1,281,314)	(208,252)	-	-	(1,489,566)
Equipment and vehicles	(9,894,397)	(1,513,932)	-	609,859	(10,798,470)
Infrastructure	(3,239,468)	(439,782)	-	-	(3,679,250)
Total accumulated depreciation	<u>(20,022,774)</u>	<u>(3,052,741)</u>	<u>-</u>	<u>609,859</u>	<u>(22,465,656)</u>
Total capital assets being depreciated, net	<u>29,004,586</u>	<u>(1,527,977)</u>	<u>131,001</u>	<u>(16,857)</u>	<u>27,590,753</u>
Governmental activities capital assets, net	<u>\$40,518,313</u>	<u>\$2,320,339</u>	<u>\$ -</u>	<u>\$(16,857)</u>	<u>\$42,821,795</u>

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

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

General Governmental Activities	
General government	\$444,556
Judicial	430,039
Public safety	895,424
Streets and highways	687,917
Sanitation	288,263
Recreation and culture	62,615
Health and human services	100,759
Economic development	99,024
Intergovernmental	44,144
Total governmental activity depreciation	\$3,052,741

Discretely Presented Component Units

Activity for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Dispositions	Balance June 30, 2011
<u>Fire and Rescue Commission</u>				
Capital Assets not being depreciated				
Land	\$ 323,269	\$ 21,748	\$ -	\$ 345,017
Construction in progress	-	4,305	-	4,305
Total capital assets not being depreciated	323,269	26,053	-	349,322
Capital assets being depreciated				
Buildings and improvements	3,985,462	-	-	3,985,462
Improvements other than buildings	138,662	-	-	138,662
Equipment and vehicles	11,336,507	14,627	(139,788)	11,211,346
Total assets being depreciated	15,460,631	14,627	(139,788)	15,335,470
Accumulated Depreciation				
Buildings and improvements	(863,622)	(124,693)	-	(988,315)
Improvements other than buildings	(60,352)	(7,667)	-	(68,019)
Equipment and vehicles	(6,754,652)	(932,478)	139,788	(7,547,342)
Total accumulated depreciation	(7,678,626)	(1,064,838)	139,788	(8,603,676)
Total capital assets being depreciated, net	7,782,005	(1,050,211)	-	6,731,794
Fire and Rescue Commission capital assets, net	\$ 8,105,274	\$(1,024,158)	\$ -	\$ 7,081,116

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Library</u>				
Capital assets being depreciated				
Buildings and improvements	\$ 119,026	\$ -	\$ -	\$ 119,026
Library materials	1,705,023	93,958	(99,023)	1,699,958
Equipment and vehicles	211,659	-	-	211,659
	<u>2,035,708</u>	<u>93,958</u>	<u>(99,023)</u>	<u>2,030,643</u>
Total assets being depreciated				
Accumulated Depreciation				
Buildings and improvements	(119,026)		-	(119,026)
Improvements other than buildings	(1,406,789)	(114,840)	99,023	(1,422,606)
Equipment and vehicles	(182,682)	(12,453)	-	(195,135)
	<u>(1,708,497)</u>	<u>(127,293)</u>	<u>99,023</u>	<u>(1,736,767)</u>
Total accumulated depreciation				
Library capital assets, net	<u>\$ 327,211</u>	<u>\$ (33,335)</u>	<u>\$ -</u>	<u>\$ 293,876</u>
<u>Alcohol and Drug</u>				
Capital assets being depreciated				
Vehicles	\$ 56,618	\$ -	\$ -	\$ 56,618
Accumulated Depreciation				
Vehicles	(56,293)	325	-	(56,618)
Alcohol and Drug capital assets, net	<u>\$ 325</u>	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense incurred by the component units during the year ended June 30, 2011 was as follows:

Fire and Rescue	\$1,086,670
Library	127,293
Alcohol and Drug	325

F. Assets Held for Sale

As of June 30, 2011, a 100,000 square foot industrial building has been constructed and completed in the Colleton County Commerce Center for speculative purposes. Total cost of this asset is \$4,640,776 including land, building, and infrastructure improvement costs. The asset is considered held for sale. Under accounting standards, this asset is separated from Capital Assets on the

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Statement of Net Assets and no depreciation will be taken on the asset since it is held for sale. To date the property is not sold and is still being actively marketed.

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.

Capital Lease Obligations

The County uses leases to finance the purchases 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 11-27-110A(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.

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Dispositions	Balance June 30, 2011	Due within one year
Primary government					
<u>Governmental activities</u>					
Bonds					
General obligation	\$7,006,936	\$ -	\$1,021,335	\$5,985,601	\$1,765,601
Special source revenue	4,546,844	-	483,495	4,063,349	505,919
Capital leases	1,751,957	2,500,000	696,491	3,555,466	569,343
Note payable	976,468	-	146,661	829,807	152,746
Claims and judgments	-	-	-	-	-
Landfill closure and postclosure costs	296,616	84,328	-	380,944	-
Compensated absences	567,473	348,489	394,582	521,380	88,635
Total long-term liabilities	<u>\$15,146,294</u>	<u>\$2,932,817</u>	<u>\$2,742,564</u>	<u>\$15,336,547</u>	<u>\$3,082,244</u>
Component Units					
<u>Fire and Rescue Commission</u>					
General obligation bonds	\$7,757,069	\$ -	\$1,590,279	\$6,166,790	\$1,666,794
Compensated absences	168,060	151,715	154,303	165,472	28,130
Total Fire and Rescue long- term debt	<u>\$7,925,129</u>	<u>\$151,715</u>	<u>\$1,744,582</u>	<u>\$6,332,262</u>	<u>\$1,694,924</u>
<u>Library</u>					
Compensated Absences	<u>\$17,334</u>	<u>\$15,118</u>	<u>\$14,486</u>	<u>\$17,966</u>	<u>\$3,054</u>
<u>Alcohol and Drug Commission</u>					
Compensated Absences	<u>\$31,475</u>	<u>\$11,386</u>	<u>\$(25,462)</u>	<u>\$17,399</u>	<u>\$6,013</u>

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, 2011, 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, 2011.

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

General Obligation Bonds

Primary Government

Issue Date	Title of Issues	Original Principal	Principal Outstanding
March 1, 1998	General Obligation Bonds, Series 1998, 3.95% to 5.95% annual interest payments, beginning in 1999, matures 2014	\$3,800,000	\$1,010,000
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	225,601
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	4,750,000
		<u>\$12,200,000</u>	<u>\$5,985,601</u>

Future debt service requirements for primary government general obligation bonds outstanding at June 30, 2011 are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$1,095,601	\$220,370	\$1,315,971
2013	1,085,000	177,025	1,262,025
2014	1,355,000	136,370	1,491,370
2015	1,200,000	85,750	1,285,750
2016	1,250,000	43,750	1,293,750
Total General Obligation Bonds	<u>\$5,985,601</u>	<u>\$663,265</u>	<u>\$6,648,866</u>

Discretely Presented Component Units

Fire and Rescue General Obligation Bonds payable at June 30, 2011 consist of the following:

Issue Date	Title of Issues	Original Principal	Principal Outstanding
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	\$466,791
September 1, 2002	Fire Protection Service General Obligation Bonds Series 2002B, 3.21% annual interest, annual principal and interest payments	\$2,400,000	\$300,000

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

beginning 2003, matures 2010

October 15, 2003	Fire Protection Service General Obligation Bonds, Series 2003, 3.0202% annual interest, annual principal and interest payments beginning 2004, matures 2013	2,500,000	625,000
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	2,400,000	1,750,000
March 20, 2008	Fire Protection Service General Obligation Bonds, Series 2008, 3.39% annual interest, annual principal and interest payments, beginning in 2008, matures 2018	<u>4,000,000</u>	<u>3,025,000</u>
	Total Fire Protection Service Bonds	<u>\$15,300,000</u>	<u>\$6,166,791</u>

Future debt service requirements for Fire and Rescue general obligation bonds outstanding at June 30, 2011 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$1,666,791	\$224,090	\$1,890,881
2013	1,025,000	160,433	1,185,433
2014	775,000	124,248	899,248
2015	825,000	96,715	921,715
2016	900,000	66,308	966,308
2017-2018	<u>975,000</u>	<u>50,003</u>	<u>1,025,003</u>
Total Fire Protection Service Bonds	<u>\$6,166,791</u>	<u>\$721,797</u>	<u>\$6,888,588</u>

Special Source Revenue Bonds

Primary Government

Primary Government Special Source Revenue Bonds payable at June 30, 2011 consist of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
April 17, 2008	Special Source Refunding Bond Series 2008, 6.08% annual interest, annual principal and interest payments beginning in 2009, all outstanding principal and interest due in 2023	\$4,000,000	\$3,447,111
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>616,238</u>
	Total Revenue Bonds	<u>\$6,700,000</u>	<u>\$4,063,349</u>

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Future debt service requirements for Special Source Revenue Bonds outstanding at June 30, 2011 are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$505,919	\$232,323	\$738,242
2013	529,448	208,794	738,242
2014	228,865	184,101	412,966
2015	242,870	170,186	412,966
2016	257,541	155,425	412,966
2017-2023	2,298,796	591,970	1,238,900
Total Revenue Bonds	<u>\$4,063,349</u>	<u>\$1,542,799</u>	<u>\$5,606,148</u>

H. Note Payable

Primary Government

Issue Date	Title of Issues	Original Principal	Principal Outstanding
May 1, 2006	Enterprise financing agreement, 4.15% semi-annual interest, semi-annual principal and interest payments beginning in 2007, matures 2016	<u>\$1,511,903</u>	<u>\$829,907</u>

Future debt service requirements for Note Payable at June 30, 2011 are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$152,746	\$34,437	\$187,183
2013	159,085	28,098	187,183
2014	165,687	21,496	187,183
2015	172,563	14,620	187,183
2016	179,826	7,359	187,185
Total General Obligation Bonds	<u>\$829,907</u>	<u>\$106,010</u>	<u>\$935,917</u>

Capital Leases Payable

Primary Government

Lease #1

The County has entered into a capital lease agreement, secured by a civic center, bearing interest at 4.87% with annual payments of \$119,515, maturing in August 2017.

Colleton County, South Carolina
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011

Lease #2

The County has entered into a capital lease agreement, secured by equipment purchased, bearing interest at 1.65% with annual payments of \$499,830, maturing in March 2012.

Lease #3

The County has entered into a capital lease agreement, secured by the ball fields, picnic area, fitness center equipment, and other recreation center improvements made using the proceeds from the transaction, bearing interest at 4.99% with annual payments of \$195,858, maturing in March 2030.

The remaining lease payments as of June 30, 2011 are as follows:

Year Ending June 30,	Lease 1	Lease 2	Lease 3
2012	\$119,515	\$499,830	\$195,858
2013	119,515		195,858
2014	119,515		195,858
2015	119,515		195,858
2016	119,515		195,858
2017-2030	239,030		2,742,012
Total minimum lease payments	836,605	499,830	3,721,302
Less amount representing interest	141,776	8,135	1,352,360
Present value of capital lease payments	<u>\$694,829</u>	<u>\$491,695</u>	<u>\$2,368,942</u>

Total interest paid on the capital lease obligations for the year ended June 30, 2011 was approximately \$118,712.

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 twenty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops 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 \$296,616 reported as an accrual for landfill closure and postclosure care costs at June 30, 2011 includes the cumulative amount reported less amounts paid to date for the open site based on the following information.

Colleton County, South Carolina
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011

Estimated Remaining Landfill Life	Percentage Balance of Capacity Used	Estimated Total Costs			Remaining To Be Recognized
		Closure	Postclosure	Total	
16.6 years	35.18%	\$712,207	\$204,296	\$916,503	\$535,559

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2010. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Council has designated cash of \$360,354 for payment of closure and postclosure care costs.

NOTE 4 – 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.

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 the 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.retirement.sc.gov, 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

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

rate is 9.35% of annual covered payroll. The contribution requirements of Plan members and employers are 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 10.65% of annual covered payroll. The contribution requirements of Plan members and employers are established under authority of Title 9 of the S.C. Code of Laws.

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, 2011, 2010, and 2009.

	Year Ended June 30,		
	2011	2010	2009
SCRS Contributions			
Primary Government	\$784,564	\$771,430	\$644,924
Fire and Rescue	20,385	17,800	18,984
Library	28,164	30,215	29,935
Alcohol and Drug	44,854	44,361	48,015
Total SCRS	<u>\$877,967</u>	<u>\$863,806</u>	<u>\$741,858</u>
SCPORS Contributions			
Primary Government	\$403,012	\$390,918	\$384,676
Fire and Rescue	413,668	375,817	363,678
Total SCPORS	<u>\$816,680</u>	<u>\$766,735</u>	<u>\$748,354</u>

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

C. Deferred Compensation Plans

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 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,

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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 County'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.

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 year.

E. Commitments

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

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, 2011 is \$83,061

Future minimum rental payments required over the next five years under the non-cancellable operating leases having a remaining term in excess of one year at June 30, 2011 are as follows:

Year ending June 30,	Amount
2012	\$75,847
2013	43,659
2014	32,618
2015	11,977
2016	2,997
Total Payments	\$167,098

Construction Commitments: At June 30, 2010, the County had commitments under contracts for construction of various projects not completed of approximately \$722,624.

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

F. 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 governmental services for the year ended June 30, 2011 was set by County Council at 107.5 mills (\$107.50 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 8.70 mills for debt retirement, 104.38 mills for School District general operations, 46.5 mills for School District indebtedness, 29.84 mills for fire protection, and 20.50 miles for fire debt. The assessed valuation of properties, exclusive of vehicles (valued at \$14,378,402), within the County's boundaries as of December 31, 2010 was \$155,393,397 according to the records of the County Auditor and Assessor.

G. Other Postemployment Benefits

Plan Description:

The County administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the County's group health insurance for eligible retirees and their spouses through the County's group health insurance plan, which covers both active and retired members. Benefit provisions are established by the County Council. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy:

Contribution requirements are established annually by the County Council. The required contribution is based on projected pay-as-you-go financing requirements. Medical coverage levels and premiums for retirees and their families are the same as coverage provided to active County employees under the State Health Insurance Plan. Subject to an annual appropriation, the County pays 50 percent of individual coverage for individuals who:

- are at least 62 years of age,
- were employed by the County at the time of their retirement,
- had twenty years of qualifying full-time employment with the County,
- were covered by the County's health/dental insurance program, and
- retired under the South Carolina Retirement System or the South Carolina Police Officers' Retirement System.

The above individuals pay the remaining 50 percent of the premium for individual coverage and 100 percent of any premium for family coverage. Any person who retires from County employment meeting all requirements except age will qualify for the funded percentage of assistance upon reaching the age of 62, provided he or she has participated in the County's plan, paying 100% of the individual or family coverage in the interim.

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

The State Health Insurance Plan prohibits its participants from separately rating retirees and active employees. The County, therefore, pays an equal blended rate premium for both groups. Although both groups are charged the same rate, GASB 45 requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separately from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability.

For the fiscal year 2011, the County contributed \$18,653 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Retiree Health Plan, which have been allocated between the primary government and component units based on current payroll:

	Primary Government	Component Units		Total
		Fire and Rescue	Library	
Annual required contribution	\$133,493	\$40,080	\$3,466	\$177,039
Contributions made	(10,718)	(2,762)	(238)	(13,718)
Increase in net OPEB obligation	122,775	37,318	3,228	163,321
Net OPEB obligation – beginning of year	283,998	87,538	7,612	379,148
Net OPEB obligation – end of year	<u>\$406,773</u>	<u>\$124,856</u>	<u>\$10,840</u>	<u>\$542,469</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual Cost Contributed	Net OPEB Obligation
Primary Government			
6/30/11	<u>\$133,493</u>	8%	<u>\$406,773</u>
Fire and Rescue			
6/30/11	<u>\$40,080</u>	8%	<u>\$124,856</u>
Library			
6/30/11	<u>\$3,466</u>	8%	<u>\$10,840</u>

Colleton County, South Carolina
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since the County has elected to implement GASB 45 prospectively, the current year presents one year of information. Trend information will be presented in subsequent years as it becomes available.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following information is provided using the assumption that the County will continue its current pay-as-you-go funding policy for the foreseeable future. In that scenario the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees. Under this funding policy, GASB 45 requires the use of a discount rate consistent with the expected investment returns on the County's general assets. The June 30, 2009 actuarial valuation assumed a 4.5% discount rate. The Projected Unit Credit, Level Percent of Payroll actuarial cost method was used to calculate the ARC for the June 30, 2009 valuation, and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements of .05 percent per year commencing in 2013 to an ultimate rate of 4.5% after ten years, which includes a 3% inflation assumption. The UAAL is being amortized as a level percentage of active member payrolls over a period of 30 years. The remaining amortization period at June 30, 2011 was 27 years.

H. Subsequent Events

Events that occur after the net assets date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the net assets date require disclosure in the accompanying notes. Management evaluated the activity of the County through November 30, 2011 and concluded that subsequent to year end Council approved four new financing arrangements as follows:

Colleton County, South Carolina

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June 30, 2011

- A \$6,575,000 Fire/Rescue general obligation bond issue to fund the construction and renovation of fire stations, the purchase of Fire/Rescue vehicles, and the purchase of the necessary equipment to equip those vehicles
- A \$4,000,000 County general obligation bond issue to fund the construction of a recreation ball field quadrangle and to pay off a \$2,500,000 lease purchase agreement with Branch Banking and Trust.
- A \$1,500,000 lease purchase agreement to fund the purchase of various vehicles and heavy equipment
- A refunding of the 2008 SSRB bond issue at \$3,860,000.

County Council also approved the purchase of a local industrial building and accompanying 160 acres of land for \$750,000.

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

Colleton County, South Carolina
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
Revenues				
Taxes	\$ 18,574,862	\$ 19,400,095	\$ 19,778,191	\$ 378,096
Intergovernmental revenues	1,785,510	1,690,147	1,663,491	(26,656)
Licenses and permits	230,000	230,000	185,125	(44,875)
Fines, fees, and service charges	1,198,770	1,211,106	1,186,496	(24,610)
Interest income	25,000	42,019	42,019	-
Other income	15,900	20,200	20,032	(168)
Total revenues	<u>21,830,042</u>	<u>22,593,567</u>	<u>22,875,354</u>	<u>281,787</u>
Expenditures				
Current				
General government	7,922,278	7,808,796	7,475,011	333,785
Judicial	1,354,100	1,427,056	1,301,211	125,845
Public safety	6,647,838	6,682,367	6,651,902	30,465
Streets and highways	80,749	79,950	65,415	14,535
Recreation and culture	74,189	80,030	57,041	22,989
Health and human services	445,331	476,419	468,918	7,501
Economic development	235,963	236,528	215,830	20,698
Intergovernmental	3,321,028	3,284,039	3,284,039	-
Total expenditures	<u>20,081,476</u>	<u>20,075,185</u>	<u>19,519,367</u>	<u>555,818</u>
Excess (deficiency) of revenues over expenditures	<u>1,748,566</u>	<u>2,518,382</u>	<u>3,355,987</u>	<u>837,605</u>
Other financing sources (uses)				
Lease/purchase proceeds	-	2,452,446	2,452,446	-
Insurance proceeds	-	41,280	41,027	(253)
Transfers in	200,437	251,413	251,413	-
Transfers out	(2,449,003)	(5,263,521)	(4,799,562)	463,959
Total other financing sources (uses)	<u>(2,248,566)</u>	<u>(2,518,382)</u>	<u>(2,054,676)</u>	<u>463,706</u>
Net changes in fund balance	(500,000)	-	1,301,311	1,301,311
Fund balances				
Beginning of year	7,436,492	7,436,492	7,436,492	-
End of year	<u>\$ 6,936,492</u>	<u>\$ 7,436,492</u>	<u>\$ 8,737,803</u>	<u>\$ 1,301,311</u>

Colleton County, South Carolina
 SCHEDULE OF FUNDING PROGRESS
 Year ended December 31, 2011

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Plan Assets (b)	Unfunded Actuarial Accrued Liability (a-b)		Funded Ratio (b/a)	Ratio of Underfunded AAL to Covered Payroll	
			Actuarial Accrued Liability (a-b)	Actuarial Value of Plan Assets (b)		Covered Payroll	Covered Payroll
6/30/2009	\$ 890,428	-	\$ 890,428	-	0%	\$ 12,901,533	6.90%
6/30/2009	273,065	-	273,065	-	0%	3,900,967	7.00%
6/30/2009	23,745	-	23,745	-	0%	338,245	7.02%
Total Plan	\$1,187,238	-	\$1,187,238	-	0%	\$ 17,140,745	6.93%

OTHER SUPPLEMENTARY FINANCIAL STATEMENTS

Colleton County, South Carolina
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue Funds			
	Capital Improvements	Sheriff's Title IV D	Special Revenue	State Grants
Assets				
Cash and cash equivalents	\$ 2,334,819	\$ 2,553	\$ 408	\$ 14,771
Investments	485,451	-	166,793	-
Receivables, net of allowances				
Property taxes	-	-	-	-
Accounts	-	-	-	-
Other	545	-	248	-
Due from general fund	240,521	-	212,798	-
Due from third parties	-	-	131,735	-
Due from other funds	-	-	-	-
Due from other governments	-	776	484,862	-
Temporarily restricted				
Cash and investments	-	-	-	-
Total assets	<u>\$ 3,061,336</u>	<u>\$ 3,329</u>	<u>\$ 996,844</u>	<u>\$ 14,771</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 166,061	\$ -	\$ 480,178	\$ -
Accrued payroll and other liabilities	-	443	33,222	-
Due to general fund	-	3,267	-	-
Due to other governments	-	-	-	-
Due to third parties	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	245,370	-
Total liabilities	<u>166,061</u>	<u>3,710</u>	<u>758,770</u>	<u>-</u>
Fund Balances (Deficit)				
Reserved for				
Capital projects	722,624	-	-	-
Unreserved for				
Designated for				
Landfill postclosure	-	-	-	-
Undesignated, reported in				
Special revenue funds	-	(381)	238,074	14,771
Capital project funds	2,172,651	-	-	-
Debt service funds	-	-	-	-
Total fund balances (deficit)	<u>2,895,275</u>	<u>(381)</u>	<u>238,074</u>	<u>14,771</u>
Total liabilities and fund balances	<u>\$ 3,061,336</u>	<u>\$ 3,329</u>	<u>\$ 996,844</u>	<u>\$ 14,771</u>

Colleton County, South Carolina
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
 June 30, 2011

	Special Revenue Funds			
	Clerk of Court IV Unit Costs	Clerk of Court IV Incentives	Victim Witness Services	Animal Care and Control Donations
Assets				
Cash and cash equivalents	\$ 25,126	\$ 137,063	\$ 59,274	\$ 85,298
Investments	-	-	-	-
Receivables, net of allowances				
Property taxes	-	-	-	-
Accounts	-	-	-	-
Other	-	-	-	375
Due from general fund	-	-	6,480	776
Due from third parties	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	\$ 12,339	1,135	4,132	-
Temporarily restricted				
Cash and investments	-	-	-	-
Total assets	<u>\$ 37,465</u>	<u>\$ 138,198</u>	<u>\$ 69,885</u>	<u>\$ 86,449</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 15,889	\$ -	\$ 72	\$ 2,013
Accrued payroll and other liabilities	3,991	-	1,993	-
Due to general fund	-	21,619	-	-
Due to other governments	-	-	2,850	-
Due to third parties	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	1,618
Total liabilities	<u>19,880</u>	<u>21,619</u>	<u>4,916</u>	<u>3,631</u>
Fund Balances (Deficit)				
Reserved for				
Capital projects	-	-	-	-
Unreserved for				
Designated for				
Landfill postclosure	-	-	-	-
Undesignated, reported in				
Special revenue funds	17,585	116,579	64,969	82,818
Capital project funds	-	-	-	-
Debt service funds	-	-	-	-
Total fund balances (deficit)	<u>17,585</u>	<u>116,579</u>	<u>64,969</u>	<u>82,818</u>
Total liabilities and fund balances	<u>\$ 37,465</u>	<u>\$ 138,198</u>	<u>\$ 69,885</u>	<u>\$ 86,449</u>

Colleton County, South Carolina
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
 June 30, 2011

	Special Revenue Funds			
	Emergency Telephone	County Hospitality Tax	County Accomodations Tax	Public Defender Corporation
Assets				
Cash and cash equivalents	\$ -	\$ 206,576	\$ -	\$ 20,278
Investments	273,505	-	301,497	-
Receivables, net of allowances				
Property taxes	-	-	-	-
Accounts	-	-	-	-
Other	242	1,610	250	-
Due from general fund	-	-	122,032	20,391
Due from third parties	18,250	73,697	54,595	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Temporarily restricted				
Cash and investments	-	-	-	-
Total assets	<u>\$ 291,997</u>	<u>\$ 281,883</u>	<u>\$ 478,374</u>	<u>\$ 40,669</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 3,129	\$ -	\$ 421	\$ -
Accrued payroll and other liabilities	2,568	-	3,565	-
Due to general fund	482	14,531	-	-
Due to other governments	-	-	-	-
Due to third parties	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Total liabilities	<u>6,179</u>	<u>14,531</u>	<u>3,985</u>	<u>-</u>
Fund Balances (Deficit)				
Reserved for				
Capital projects	-	-	-	-
Unreserved for				
Designated for				
Landfill postclosure	-	-	-	-
Undesignated, reported in				
Special revenue funds	285,818	267,352	474,389	40,669
Capital project funds	-	-	-	-
Debt service funds	-	-	-	-
Total fund balances (deficit)	<u>285,818</u>	<u>267,352</u>	<u>474,389</u>	<u>40,669</u>
Total liabilities and fund balances	<u>\$ 291,997</u>	<u>\$ 281,883</u>	<u>\$ 478,374</u>	<u>\$ 40,669</u>

Colleton County, South Carolina
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
 June 30, 2011

	Special Revenue Funds			
	Recreation Center	Roads and Bridges	Solid Waste	Sheriff's Discretionary Funds
Assets				
Cash and cash equivalents	\$ 4,076	\$ -	\$ -	\$ 275,072
Investments	-	261,089	211,838	
Receivables, net of allowances				
Property taxes	-	228,751	896,904	-
Accounts	-	-	53,033	-
Other	1,098	241	508	2
Due from general fund	30,076	146,148	219,886	73,650
Due from third parties	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	33,987	30,923	-
Temporarily restricted				
Cash and investments	-	-	360,354	34,578
Total assets	<u>\$ 35,249</u>	<u>\$ 670,215</u>	<u>\$ 1,773,445</u>	<u>\$ 383,302</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 15,209	\$ 43,553	\$ 73,781	\$ 60
Accrued payroll and other liabilities	8,779	29,032	30,454	-
Due to general fund	-	-	-	-
Due to other governments	-	-	-	-
Due to third parties	-	-	-	73,455
Due to other funds	-	-	-	-
Deferred revenues	-	228,751	906,811	-
Total liabilities	<u>23,987</u>	<u>301,335</u>	<u>1,011,046</u>	<u>73,515</u>
Fund Balances (Deficit)				
Reserved for				
Capital projects	-	-	-	-
Unreserved for				
Designated for				
Landfill postclosure	-	-	360,354	-
Undesignated, reported in				
Special revenue funds	11,262	368,880	402,046	309,787
Capital project funds	-	-	-	-
Debt service funds	-	-	-	-
Total fund balances (deficit)	<u>11,262</u>	<u>368,880</u>	<u>762,399</u>	<u>309,787</u>
Total liabilities and fund balances	<u>\$ 35,249</u>	<u>\$ 670,215</u>	<u>\$ 1,773,445</u>	<u>\$ 383,302</u>

Colleton County, South Carolina
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
 June 30, 2011

	Capital Projects Funds			
	SSRB Industrial Park Bond	Infrastructure Industrial Development	County GOB Bond Proceeds	SSRB Economic Development
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	70,341	407,346	-	1,245,788
Receivables, net of allowances				
Property taxes	-	-	-	-
Accounts	-	-	-	-
Other	35	227	-	-
Due from general fund	193,578	-	-	483,321
Due from third parties	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Temporarily restricted				
Cash and investments	-	-	1,071	-
Total assets	<u>\$ 263,953</u>	<u>\$ 407,573</u>	<u>\$ 1,071</u>	<u>\$ 1,729,109</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 1,721	\$ -	\$ -
Accrued payroll and other liabilities	-	-	-	-
Due to general fund	-	56,052	1,071	-
Due to other governments	-	-	-	-
Due to third parties	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Total liabilities	<u>-</u>	<u>57,773</u>	<u>1,071</u>	<u>-</u>
Fund Balances (Deficit)				
Reserved for				
Capital projects	263,953	-	-	1,729,109
Unreserved for				
Designated for				
Landfill postclosure	-	-	-	-
Undesignated, reported in				
Special revenue funds				
Capital project funds	-	349,800	-	-
Debt service funds	-	-	-	-
Total fund balances (deficit)	<u>263,953</u>	<u>349,800</u>	<u>-</u>	<u>1,729,109</u>
Total liabilities and fund balances	<u>\$ 263,953</u>	<u>\$ 407,573</u>	<u>\$ 1,071</u>	<u>\$ 1,729,109</u>

Colleton County, South Carolina
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
 June 30, 2011

	Debt Service			Total Nonmajor Government Funds
	Debt Service	SSRB Cannady's Debt Service	Debt Service Non-GOB	
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 124,139	\$ 3,289,452
Investments	1,233,206	1,132,771		5,789,625
Receivables, net of allowances				
Property taxes	1,296,835	-	-	2,422,490
Accounts	-	-	-	53,033
Other	190	-	5	5,574
Due from general fund	249,397	-	-	1,999,054
Due from third parties	8,071	-	-	286,348
Due from other funds	-	-	-	-
Due from other governments	-	-	-	568,153
Temporarily restricted				
Cash and investments	-	-	-	396,003
Total assets	<u>\$ 2,787,700</u>	<u>\$ 1,132,771</u>	<u>\$ 124,144</u>	<u>\$ 14,809,732</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 802,088
Accrued payroll and other liabilities	-	-	-	114,046
Due to general fund	-	483,321	119,515	699,858
Due to other governments	-	-	-	2,850
Due to third parties	-	-	-	73,455
Due to other funds	-	-	-	-
Deferred revenues	1,363,163	-	-	2,745,712
Total liabilities	<u>1,363,163</u>	<u>483,321</u>	<u>119,515</u>	<u>4,438,010</u>
Fund Balances (Deficit)				
Reserved for				
Capital projects	-	-	-	2,715,686
Unreserved for				
Designated for				
Landfill postclosure	-	-	-	360,354
Undesignated, reported in				
Special revenue funds				2,694,617
Capital project funds	-	-	-	2,522,451
Debt service funds	1,424,536	649,450	4,629	2,078,615
Total fund balances (deficit)	<u>1,424,536</u>	<u>649,450</u>	<u>4,629</u>	<u>10,371,722</u>
Total liabilities and fund balances	<u>\$ 2,787,699</u>	<u>\$ 1,132,771</u>	<u>\$ 124,144</u>	<u>\$ 14,809,732</u>

Colleton County, South Carolina
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue Funds			
	Capital Improvements	Sheriff's Title IV D	Special Revenue	State Grants
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	95,000	13,481	4,537,431	-
Fines and fees	-	-	-	-
Interest income	4,429	2	4,287	-
Other income	-	-	92,955	-
Total revenues	<u>99,429</u>	<u>13,483</u>	<u>4,634,673</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	33,035	-
Judicial	-	-	646,959	-
Public safety	-	13,864	199,676	-
Streets and highways	4,090	-	-	-
Sanitation	-	-	-	-
Recreation and culture	21,993	-	95,199	-
Health and human services	-	-	533,365	-
Economic development	-	-	-	-
Intergovernmental	-	-	112,366	-
Capital outlay				
General government	559,764	-	63,395	-
Judicial	27,998	-	-	-
Public safety	173,359	-	58,708	-
Streets and highways	19,252	-	-	-
Sanitation	206,259	-	-	-
Recreation and culture	798,396	-	68,587	-
Health and human services	-	-	177,972	-
Economic development	-	-	2,816,558	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,811,111</u>	<u>13,864</u>	<u>4,805,820</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,711,683)</u>	<u>(382)</u>	<u>(171,148)</u>	<u>-</u>
Other financing sources (uses)				
Proceeds from sales of capital assets	39,330	-	-	-
Insurance proceeds	13,470	-	-	-
Transfers in	3,249,855	-	108,712	-
Transfers out	(14,084)	(1,439)	-	-
Total other financing sources (uses)	<u>3,288,570</u>	<u>(1,439)</u>	<u>108,712</u>	<u>-</u>
Net changes in fund balance	1,576,887	(1,821)	(62,435)	-
Fund balances (deficit)				
Beginning of year	1,318,388	1,440	300,509	14,771
End of year	<u>\$ 2,895,275</u>	<u>\$ (381)</u>	<u>\$ 238,074</u>	<u>\$ 14,771</u>

Colleton County, South Carolina
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue Funds			
	Clerk of Court IV Unit Costs	Clerk of Court IV Incentives	Victim Witness Services	Animal Care and Control Donations
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	153,799	41,949	82,607	-
Fines and fees	-	-	-	21,243
Interest income	36	278	53	81
Other income	-	-	-	11,000
Total revenues	<u>153,834</u>	<u>42,228</u>	<u>82,660</u>	<u>32,323</u>
Expenditures				
Current				
General governmnet	-	-	-	-
Judicial	152,092	-	-	-
Public safety	-	-	73,948	19,542
Streets and highways	-	-	-	-
Sanitation	-	-	-	-
Recreation and culture	-	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay				
General governmnet	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Sanitation	-	-	-	-
Recreation and culture	-	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>152,092</u>	<u>-</u>	<u>73,948</u>	<u>19,542</u>
Excess (deficiency) of revenues over expenditures	<u>1,743</u>	<u>42,228</u>	<u>8,712</u>	<u>12,781</u>
Other financing sources (uses)				
Proceeds form sales of capital assets	-	-	-	-
Insurance proceeds	-	-	-	-
Transfers in	15,843	-	10,183	-
Transfers out	(27,544)	(36,292)	(1,543)	-
Total other financing sources (uses)	<u>(11,701)</u>	<u>(36,292)</u>	<u>8,640</u>	<u>-</u>
Net changes in fund balance	(9,958)	5,936	17,351	12,781
Fund balances (deficit)				
Beginning of year	27,544	110,642	47,618	70,036
End of year	<u>\$ 17,586</u>	<u>\$ 116,578</u>	<u>\$ 64,969</u>	<u>\$ 82,817</u>

Colleton County, South Carolina
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue Funds			
	Emergency Telephone	County Hospitality Tax	County Accomodations Tax	Public Defender Corporation
Revenues				
Taxes	\$ -	\$ 512,193	\$ 339,977	\$ -
Intergovernmental revenues	37,624	-	-	-
Fines and fees	271,842	-	-	-
Interest income	1,441	3,014	3,054	158
Other income	-	-	-	-
Total revenues	<u>310,907</u>	<u>515,207</u>	<u>343,032</u>	<u>158</u>
Expenditures				
Current				
General governmnet	-	-	-	-
Judicial	-	-	-	244,689
Public safety	313,426	-	-	-
Streets and highways	-	-	-	-
Sanitation	-	-	-	-
Recreation and culture	-	25,045	68,747	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Intergovernmental	-	-	24,113	-
Capital outlay				
General governmnet	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Sanitation	-	-	-	-
Recreation and culture	-	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>313,426</u>	<u>25,045</u>	<u>92,860</u>	<u>244,689</u>
Excess (deficiency) of revenues over expenditures	<u>(2,519)</u>	<u>490,162</u>	<u>250,171</u>	<u>(244,531)</u>
Other financing sources (uses)				
Proceeds form sales of capital assets	-	-	-	-
Insurance proceeds	-	-	-	-
Transfers in	-	-	-	244,689
Transfers out	-	(484,955)	(421,124)	-
Total other financing sources (uses)	<u>-</u>	<u>(484,955)</u>	<u>(421,124)</u>	<u>244,689</u>
Net changes in fund balance	(2,519)	5,207	(170,953)	158
Fund balances (deficit)				
Beginning of year	288,339	262,146	645,342	40,511
End of year	<u>\$ 285,820</u>	<u>\$ 267,353</u>	<u>\$ 474,389</u>	<u>\$ 40,669</u>

Colleton County, South Carolina
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue Funds			
	Recreation Center	Roads and Bridges	Solid Waste	Sheriff's Discretionary Funds
Revenues				
Taxes	\$ -	\$ 820,667	\$ 763,060	\$ -
Intergovernmental revenues	-	-	35,365	88,068
Fines and fees	160,143	-	649,645	-
Interest income	-	2,376	7,773	1,094
Other income	-	-	-	441
Total revenues	<u>160,143</u>	<u>823,043</u>	<u>1,455,843</u>	<u>89,603</u>
Expenditures				
Current				
General government	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	73,319
Streets and highways	-	1,538,559	-	-
Sanitation	-	-	1,917,542	-
Recreation and culture	490,633	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay				
General government	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	74,567
Streets and highways	-	-	-	-
Sanitation	-	-	-	-
Recreation and culture	-	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>490,633</u>	<u>1,538,559</u>	<u>1,917,542</u>	<u>147,886</u>
Excess (deficiency) of revenues over expenditures	<u>(330,490)</u>	<u>(715,516)</u>	<u>(461,699)</u>	<u>(58,284)</u>
Other financing sources (uses)				
Proceeds form sales of capital assets	-	-	-	-
Insurance proceeds	-	40,516	6,069	11,317
Transfers in	349,061	747,205	579,090	73,650
Transfers out	-	(35,000)	-	(2,026)
Total other financing sources (uses)	<u>349,061</u>	<u>752,720</u>	<u>585,159</u>	<u>82,941</u>
Net changes in fund balance	18,571	37,204	123,460	24,658
Fund balances (deficit)				
Beginning of year	(7,309)	331,674	638,936	285,128
End of year	<u>\$ 11,262</u>	<u>\$ 368,878</u>	<u>\$ 762,396</u>	<u>\$ 309,786</u>

Colleton County, South Carolina
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Capital Projects Funds			
	SSRB Industrial Park Bond	Infrastructure Industrial Development	County GOB Bond Proceeds	SSRB Economic Development
Revenues				
Taxes	\$ -	\$ 279,050	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and fees	-	-	-	-
Interest income	910	1,117	6	7,099
Other income	-	-	-	-
Total revenues	910	280,168	6	7,099
Expenditures				
Current				
General government	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Sanitation	-	-	-	-
Recreation and culture	-	2,604	-	-
Health and human services	-	-	-	-
Economic development	-	19,663	-	-
Intergovernmental	-	21,072	-	-
Capital outlay				
General government	-	15,400	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Sanitation	-	-	-	-
Recreation and culture	-	-	-	-
Health and human services	-	-	-	-
Economic development	32,241	54,629	-	221,947
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	32,241	113,368	-	221,947
Excess (deficiency) of revenues over expenditures	(31,330)	166,799	6	(214,848)
Other financing sources (uses)				
Proceeds from sales of capital assets	-	-	-	-
Insurance proceeds	-	-	-	-
Transfers in	-	-	-	483,321
Transfers out	(68,443)	(44,385)	(1,071)	-
Total other financing sources (uses)	(68,443)	(44,385)	(1,071)	483,321
Net changes in fund balance	(99,773)	122,414	(1,066)	268,473
Fund balances (deficit)				
Beginning of year	363,727	227,386	1,066	1,460,636
End of year	<u>\$ 263,954</u>	<u>\$ 349,800</u>	<u>\$ -</u>	<u>\$ 1,729,109</u>

Colleton County, South Carolina
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Debt Service			Total Nonmajor Government Funds
	Debt Service	SSRB Cannady's Debt Service	Debt Service Non-GOB	
Revenues				
Taxes	\$ 1,251,693	\$ 1,221,595	\$ -	\$ 5,188,235
Intergovernmental revenues	-	-	-	5,085,324
Fines and fees	-	-	-	1,102,872
Interest income	6,174	3,794	134	47,311
Other income	-	-	-	104,396
Total revenues	<u>1,257,867</u>	<u>1,225,389</u>	<u>134</u>	<u>11,528,137</u>
Expenditures				
Current				
General governmnet	-	-	-	33,035
Judicial	-	-	-	1,043,740
Public safety	-	-	-	693,776
Streets and highways	-	-	-	1,542,649
Sanitation	-	-	-	1,917,542
Recreation and culture	-	-	-	704,220
Health and human services	-	-	-	533,365
Economic development	-	-	-	19,663
Intergovernmental	-	-	-	157,551
Capital outlay				
General governmnet	-	-	-	638,559
Judicial	-	-	-	27,998
Public safety	-	-	-	306,633
Streets and highways	-	-	-	19,252
Sanitation	-	-	-	206,259
Recreation and culture	-	-	-	866,984
Health and human services	-	-	-	177,972
Economic development	-	-	-	3,125,375
Debt service				
Principal retirement	1,021,336	483,495	228,358	1,733,189
Interest and fiscal charges	262,234	254,779	78,341	595,354
Total expenditures	<u>1,283,570</u>	<u>738,274</u>	<u>306,699</u>	<u>14,343,117</u>
Excess (deficiency) of revenues over expenditures	<u>(25,703)</u>	<u>487,115</u>	<u>(306,564)</u>	<u>(2,814,980)</u>
Other financing sources (uses)				
Proceeds form sales of capital assets	-	-	-	39,330
Insurance proceeds	-	-	-	71,372
Transfers in	1,071	-	306,698	6,169,377
Transfers out	-	(483,321)	-	(1,621,227)
Total other financing sources (uses)	<u>1,071</u>	<u>(483,321)</u>	<u>306,698</u>	<u>4,658,851</u>
Net changes in fund balance	(24,632)	3,794	134	1,843,871
Fund balances (deficit)				
Beginning of year	1,449,169	645,657	4,495	8,527,851
End of year	<u>\$ 1,424,537</u>	<u>\$ 649,451</u>	<u>\$ 4,629</u>	<u>\$ 10,371,722</u>

Colleton County, South Carolina
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
 June 30, 2011

	Sheriff's Seizure	Willow Swamp Water Shed	Law Officer Memorial	Transportation Committee	Delinquent Tax	Register of Deeds	Clerk of Court	Magistrates	Probate Judge	Firemen's Fund	Schools	Total
Assets												
Cash and equivalents	\$ 178,574	\$ 4,979	\$ 845	\$ 3,125	\$ 2,413	\$ 268,532	\$ 859,161	\$ 108,955	\$ 9,469	\$ 68,145	\$ 677,790	\$ 2,181,987
Investments	-	-	-	5,530,067	584,492	-	30,499	-	-	-	3,584,223	9,729,282
Accounts receivable - other	-	-	-	-	260	-	-	-	-	-	545	806
Due from primary government	-	-	-	-	-	-	-	-	-	17	2,041,699	2,041,716
Due from other governments	-	-	-	129,266	-	-	-	-	-	-	32,584	161,850
Due from third parties	70,790	-	-	-	-	-	-	-	-	-	-	70,790
Total assets	\$ 249,364	\$ 4,979	\$ 845	\$ 5,662,459	\$ 587,166	\$ 268,532	\$ 889,659	\$ 108,955	\$ 9,469	\$ 68,162	\$ 6,336,841	\$ 14,186,431
Liabilities												
Accounts payable	\$ -	\$ -	\$ -	\$ 5,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,221	\$ -	\$ 6,647
Due to primary government	-	111	-	2,670	90	1,871	-	-	-	-	1,331,625	1,336,366
Assets held for others	249,364	4,868	845	5,654,364	587,076	266,661	889,659	108,955	9,469	66,941	5,005,216	12,843,418
Total liabilities	\$ 249,364	\$ 4,979	\$ 845	\$ 5,662,459	\$ 587,166	\$ 268,532	\$ 889,659	\$ 108,955	\$ 9,469	\$ 68,162	\$ 6,336,841	\$ 14,186,431

DISCRETELY PRESENTED COMPONENT UNITS

Colleton County, South Carolina
 FIRE AND RESCUE COMMISSION
 BALANCE SHEET
 June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Assets				
Cash and equivalents	\$ 3,858	\$ -	\$ -	\$ 3,858
Investments	85,597	-	1,024,592	1,110,189
Receivables, net of allowances				
Property taxes	2,455,174	-	1,692,716	4,147,890
Accounts	1,218,331	-	-	1,218,331
Other	606	-	128	734
Due from primary government	590,432	-	-	590,432
Due from third parties	34,949	-	22,765	57,715
Due from other governments	1,391	-	111	1,503
Temporarily restricted				
Cash and equivalents	-	977,809	-	977,809
Total assets	<u>\$ 4,390,338</u>	<u>\$ 977,809</u>	<u>\$ 2,740,313</u>	<u>\$ 8,108,460</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 271,552	\$ -	\$ -	\$ 271,552
Accrued payroll and other liabilities	134,100	-	-	134,100
Due to primary government	-	11	130,603	130,614
Deferrred revenues	3,554,696	-	1,688,449	5,243,145
Total liabilities	<u>3,960,348</u>	<u>11</u>	<u>1,819,052</u>	<u>5,779,412</u>
Fund Balances (Deficit)				
Reserved for capital projects	-	977,798	-	977,798
Unreserved, undesignated, reported in				
General Fund	429,990	-	-	429,990
Debt Service Fund	-	-	921,260	921,260
Total fund balances (deficit)	<u>429,990</u>	<u>977,798</u>	<u>921,260</u>	<u>2,329,048</u>
Total liabilities and fund balances	<u>\$ 4,390,338</u>	<u>\$ 977,809</u>	<u>\$ 2,740,313</u>	<u>\$ 8,108,460</u>

Colleton County, South Carolina
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS --
FIRE AND RESCUE COMMISSION
June 30, 2011

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

Total fund balance - fire and rescue commission	\$	2,329,048
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	\$ 15,684,792	
Accumulated depreciation	<u>(8,603,676)</u>	
		7,081,116

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

Property taxes	547,521	
EMS fee receivables	1,095,211	
Other	<u>8,118</u>	
		1,650,850

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

91,225

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

44,805

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

General obligation bonds	(6,166,789)	
Compensated absences	(165,473)	
Accrued interest	(75,942)	
OPEB obligation	<u>(124,856)</u>	
		<u>(6,533,059)</u>

Total net assets - governmental activities	\$	<u><u>4,663,985</u></u>
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Colleton County, South Carolina
 FIRE AND RESCUE COMMISSION
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 Year ended June 30, 2011

	General	Capital Projects	Debt Service	Total
Revenues				
Taxes	\$ 2,746,670	\$ -	\$ 1,925,140	\$ 4,671,810
Intergovernmental revenues	2,817,788	-	-	2,817,788
Fees	1,185,595	-	-	1,185,595
Interest income	4,494	4,916	4,379	13,788
Other income	13	-	-	13
Total revenues	6,754,561	4,916	1,929,519	8,688,995
Expenditures				
Current				
Public safety	6,805,456	-	-	6,805,456
Principal retirement	-	-	1,590,280	1,590,280
Interest and fiscal charges	-	-	284,137	284,137
Capital outlay				
Public Safety	14,627	43,264	-	57,891
Total expenditures	6,820,083	43,264	1,874,416	8,737,764
Excess (deficiency) of revenues over expenditures	(65,522)	(38,348)	55,102	(48,769)
Other financing sources (uses)				
Insurance proceeds	10,662	-	-	10,662
Transfers in	26,743	-	-	26,743
Transfers out	(35,000)	(11)	-	(35,011)
Total other financing sources (uses)	2,405	(11)	-	2,394
Net changes in fund balances	(63,117)	(38,360)	55,102	(46,375)
Fund balances (deficit)				
Beginning of year	493,107	1,016,158	866,158	2,375,423
End of year	<u>\$ 429,990</u>	<u>\$ 977,798</u>	<u>\$ 921,260</u>	<u>\$ 2,329,048</u>

Colleton County, South Carolina
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES -- FIRE AND RESCUE COMMISSION
 Year ended June 30, 2011

Total net change in fund balance - fire and rescue commission \$ (46,375)

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 57,891	
Depreciation expense	<u>(1,064,838)</u>	(1,006,947)

Because some property taxes will be not 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 funds.

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

Property taxes	(512,967)	
Other	(372,089)	

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

Property taxes	547,521	
EMS fee receivables	1,095,211	
Other	<u>2,231</u>	759,907

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	2,588	
OPEB obligation	(37,318)	
Accrued interest	<u>11,596</u>	(23,134)

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. Also, governmental funds

Debt issued or repaid:

General obligation bonds	1,590,280	
Amortizing of bond issue costs	<u>(7,768)</u>	1,582,511

Disbursements for insurance policies that cover periods extending beyond year-end are expenditures in the governmental funds but are deferred and amortized over the policy period in the statement of net assets.

3,927

Changes in net assets of governmental activities \$ 1,269,890

Colleton County, South Carolina
 FIRE AND RESCUE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
Revenues				
Taxes	\$ 4,532,348	\$ 4,538,776	\$ 4,671,810	\$ 133,034
Intergovernmental revenues	2,769,160	2,986,381	2,817,788	(168,593)
Fees	1,166,939	1,216,352	1,185,595	(30,756)
Interest income	8,500	8,500	13,788	5,288
Other income	-	-	13	13
Total revenues	<u>8,476,947</u>	<u>8,750,009</u>	<u>8,688,995</u>	<u>(61,013)</u>
Expenditures				
Current				
Public safety	6,636,549	7,054,124	6,805,456	248,668
Debt service	1,875,398	1,875,398	1,874,416	982
Capital outlay				
Public safety	37,000	1,012,860	57,891	954,969
Total expenditures	<u>8,548,947</u>	<u>9,942,383</u>	<u>8,737,764</u>	<u>1,204,619</u>
Excess (deficiency) of revenues over expenditures	<u>(72,000)</u>	<u>(1,192,374)</u>	<u>(48,769)</u>	<u>(1,265,632)</u>
Other financing sources (uses)				
Insurance proceeds	-	11,894	10,662	1,232
Transfers in	-	17,743	26,743	(9,000)
Transfers out	-	(35,011)	(35,011)	-
Total other financing sources (uses)	<u>-</u>	<u>(5,374)</u>	<u>2,394</u>	<u>(7,768)</u>
Net changes in fund balance	(72,000)	(1,197,748)	(46,375)	(1,257,864)
Fund balance				
Beginning of year	-	-	2,375,423	2,375,432
End of year	<u>\$ (72,000)</u>	<u>\$ (1,197,748)</u>	<u>\$ 2,329,048</u>	<u>\$ 1,117,568</u>

Colleton County, South Carolina
MEMORIAL LIBRARY
BALANCE SHEET
June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and equivalents	\$ 61,574	\$ 438	\$ 62,012
Receivables	212	-	212
Due from primary government	3,124	950	4,074
Due from other governments	1,402	-	1,402
Total assets	<u>\$ 66,313</u>	<u>\$ 1,387</u>	<u>\$ 67,700</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 797	\$ 797
Accrued payroll and other liabilities	20,463	-	20,463
Deferred revenues	9,454	-	9,454
Total liabilities	<u>29,917</u>	<u>797</u>	<u>30,714</u>
Fund Balances (Deficit)			
Unreserved, undesignated, reported in			
General fund	36,396	-	36,396
Special revenue funds	-	590	590
Total fund balances (deficit)	<u>36,396</u>	<u>590</u>	<u>36,986</u>
Total liabilities and fund balances	<u>\$ 66,313</u>	<u>\$ 1,387</u>	<u>\$ 67,700</u>

Colleton County, South Carolina
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET ASSETS - MEMORIAL LIBRARY
 June 30, 2011

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

Total fund balance - Memorial Library	\$	36,986
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Amount reported for government activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds

Cost of capital assets	2,030,643		
Accumulated depreciation	(1,736,767)		
			293,876

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

5,329

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

Compensated absences	(17,966)		
OPEB obligation	(10,840)		
			(28,806)

Total net assets - governmental activities	\$	<u>307,385</u>
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Colleton County, South Carolina
MEMORIAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year ended June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Intergovernmental revenues	\$ 505,879	\$ 71,185	\$ 577,064
Fines, fees, and service charges	24,998	-	24,998
Donations	34,627	-	34,627
Interest income	327	28	355
Other income	672	-	672
Total revenues	<u>566,503</u>	<u>71,212</u>	<u>637,715</u>
Expenditures			
Current			
Recreation and culture	568,328	71,185	639,513
Total expenditures	<u>568,328</u>	<u>71,185</u>	<u>639,513</u>
Excess (deficiency) of revenues over expenditures	<u>(1,825)</u>	<u>28</u>	<u>(1,797)</u>
Other financing sources (uses)			
Transfers in	3,340	-	3,340
Total other financing sources (uses)	<u>3,340</u>	<u>-</u>	<u>3,340</u>
Net changes in fund balances	1,515	28	1,543
Fund balances (deficit)			
Beginning of year	34,881	562	35,443
End of year	<u>\$ 36,396</u>	<u>\$ 590</u>	<u>\$ 36,986</u>

Colleton County, South Carolina
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES -- MEMORIAL LIBRARY
 Year ended June 30, 2011

Total net change in fund balance - Memorial Library \$ 1,543

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	93,958	
Depreciation expense	<u>(127,292)</u>	
		(33,335)

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	(632)	
OPEB obligation	<u>(3,228)</u>	
		(3,860)

Disbursements for insurance policies that cover periods extending beyond year-end are expenditures in the governmental funds but are deferred and amortized over the policy period in the statement of net assets.

(15)

Changes in net assets of governmental activities

\$ (35,666)

Colleton County, South Carolina
MEMORIAL LIBRARY
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 611,868	\$ 623,053	\$ 577,064	\$ (45,989)
Fines, fees, and service charges	-	-	24,998	24,998
Donations	-	37,273	34,627	(2,646)
Interest income	-	-	355	355
Other income	-	-	672	672
Total revenues	<u>611,868</u>	<u>660,326</u>	<u>637,715</u>	<u>(22,610)</u>
Expenditures				
Current				
Recreation and culture	611,868	660,326	639,513	(20,813)
Total expenditures	<u>611,868</u>	<u>660,326</u>	<u>639,513</u>	<u>(20,813)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(1,797)</u>	<u>(1,797)</u>
Other financing sources (uses)				
Insurance proceeds	-	-	-	-
Transfers in	-	-	3,340	3,340
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,340</u>	<u>3,340</u>
Net changes in fund balance	-	-	1,543	1,543
Fund balance				
Beginning of year	-	-	35,443	35,443
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,986</u>	<u>\$ 36,986</u>

OTHER FINANCIAL INFORMATION

Colleton County, South Carolina
 SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
 Year ended June 30, 2011

Court fines, surcharges, and assessments	
Collected	\$ 1,853,966
Remitted to State Treasurer	(986,426)
Retained by County	<u>\$ 867,540</u>

Fines, surcharges and assessments retained by County	
General fund	\$ 743,346
Other agencies	41,588
Victims' advocate services	82,607
Total surcharges and assessments	<u>\$ 867,540</u>

Funds allocated to victims' advocate service	
Carryover funds from prior year	\$ 47,666
Reimbursement of prior year expenditures from general fund	8,592
Interest earned	53
Surcharges and assessments retained	82,607
Expenditures for victims advocate retained	(73,948)
Total under expenditures of victims advocate service funds	<u>\$ 64,969</u>

FEDERAL AWARDS AND OMB CIRCULAR A-133 REPORTS

COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Direct			
ARRA USDA Rural Business Enterprise Grant (RBEG)	10.783	SC-00-01	\$ 177,972
Passed through S.C. Department of Social Services			
Summer Food Service Program for Children	10.559	SF-134	304,386
Summer Food Service Program for Children	10.559	SF-134	213,284
	Total 10.559		<u>517,670</u>
Total U.S. Department of Agriculture			<u>695,642</u>
U.S. Department of Justice:			
Direct			
Federal Equitable Sharing Program	16.000	N/A	138,184
Passed through S.C. Department of Public Safety			
JAG Grant - Juvenile Multi-Disciplinary Court Grant	16.523	1JS09002	113,845
JAG Grant - Juvenile Multi-Disciplinary Court Grant	16.523	1JS09002	34,979
	Total 16.523		<u>148,824</u>
Passed through S.C. Department of Public Safety			
Edward Bryne Memorial JAG Grant-Violence Against Women Prosecution Team	16.588	1K09030	65,819
Direct			
State Criminal Alien Assistance Program	16.606	2008-AP-BX-0568	1,607
State Criminal Alien Assistance Program	16.606	2009-AP-BX-0574	59
State Criminal Alien Assistance Program	16.606	2010-AP-BX-0590	550
	Total 16.606		<u>2,216</u>
Direct			
COPS Technology Grant	16.710	2009CKWX0348	34,360
Direct			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2010-DJ-BX-1124	29,203
Passed through S.C. Department of Public Safety			
Edward Bryne Memorial JAG Grant - Career Criminal Prosecuton Team	16.738	1G09014	180,612
Edward Bryne Memorial JAG Grant - Transfer Court Team	16.738	1G09013	200,509
	Total 16.738		<u>410,324</u>
Total U.S. Department of Justice			<u>799,727</u>
U.S. Department of Homeland Security:			
Passed through S.C. Emergency Management Agency			
2009 Emergency Management Performance Grant	97.042	9EMPG01	13,435
2010 Emergency Management Performance Grant	97.042	10EMPG01	17,967
2011 Emergency Management Performance Grant	97.042	11EMPG01	5,246
	Total 97.042		<u>36,647</u>
Direct			
Assistance to Firefighters	97.044	EMW-2009-FO-05182	26,767
	Total 97.044		<u>26,767</u>
Passed through S.C. State Law Enforcement Division			
Citizens Corps Grant	97.067	8CCP01	2,370
Citizens Corps Grant	97.067	9CCP01	1,096
	Total 97.067		<u>3,466</u>
Total U.S. Department of Homeland Security			<u>66,880</u>

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2011**

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	G10051T	<u>3,514</u>
Child Support Enforcement IV-D Incentive Payments	93.563	C70015C-4	41,949
Child Support Enforcement IV-D Sheriff's Department	93.563	C70061C-3	13,481
Child Support Enforcement IV-D Family Court	93.563	C70015C-3	<u>153,799</u>
	Total 93.563		<u>209,228</u>
Passed through S.C. Election Commission HAVA Help America Vote Accessibility Grant	93.617	N/A	<u>8,378</u>
Total U.S. Department of Health and Human Services			<u>221,121</u>
U.S. Department of Transportation			
Passed through S. C. Emergency Management Division Hazardous Materials and Emergency Planning (HMEP) Grant	20.703	HM-HMP-0043-09- 01-00	<u>489</u>
Total U.S. Department of Transportation			<u>489</u>
U.S. Department of Commerce			
Direct EDA Economic Development Administration Grant	11.300	04-01-06046	<u>1,160,912</u>
Total U.S. Department of Commerce			<u>1,160,912</u>
U.S. Department of Housing and Urban Development			
Passed through S. C. Department of Commerce CDBG QuickJobs Development Center	14.228	4-W-07-002	<u>1,434,669</u>
Total U.S. Department of Housing and Urban Development			<u>1,434,669</u>
U.S. Department of Education			
Passed through S. C. State Library ARRA State Fiscal Stabilization Funds	84.397		<u>11,185</u>
Total U.S. Department of Education			<u>11,185</u>
U.S. Department of Energy			
Passed through S. C. Budget & Control Board S. C. Energy Office ARRA EECBG Energy Efficiency and Conservation Block Grant Program	81.128		<u>66,414</u>
Total U.S. Department of Energy			<u>66,414</u>
Total Expenditures of Federal Awards			<u>\$ 4,457,039</u>

COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Colleton County, South Carolina under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non – Profit Organizations*. Because the schedule presents only a selected portion of the operations Colleton County, South Carolina, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Colleton County, South Carolina.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, Cost Principals for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3 – Non-cash Awards

Colleton County, South Carolina did not receive any non-cash federal awards during the year ended June 30, 2011.

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

To the 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, the blended component unit, each major fund, and the aggregate remaining fund information of Colleton County, South Carolina, as of and for the year ended June 30, 2011, which collectively comprise Colleton County, South Carolina's basic financial statements and have issued our report thereon dated January 6, 2012. We did not audit the financial statements of the Colleton County Commission on Alcohol and Drug Abuse. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Colleton County Commission on Alcohol and Drug Abuse is based solely on the reports of the 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.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Colleton County, South Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Colleton County, South Carolina's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, 2011-1 and 2011-2.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-2.

We noted certain matters that we reported to Colleton County Council, in a separate letter dated January 6, 2012.

Colleton County, South Carolina's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Colleton County, South Carolina's response and, accordingly, we express no opinion on it.

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
January 6, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Colleton County, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Colleton County, South Carolina's major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

Colleton County, South Carolina's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Colleton County, South Carolina's responses and, accordingly, we express no opinion on the responses.

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
January 6, 2012

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. Summary of Auditors' Results

- A. The auditors' report expresses an unqualified opinion on the financial statements of Colleton County, South Carolina.
- B. Our audit of the financial statements disclosed two significant deficiencies in internal control over financial reporting.
- C. One instances of noncompliance material to the financial statements of Colleton County, South Carolina, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit.
- D. No significant deficiencies in internal controls over major federal award programs were disclosed during the audit.
- E. The auditors' report on compliance for the major federal award programs Colleton County, South Carolina expresses an unqualified opinion on all major federal programs.
- F. Our audit disclosed one audit finding that relates to the federal awards which are required to be reported under section 510(a) of OMB Circular A-133.
- G. Major federal programs for Colleton County, South Carolina for the fiscal year ended June 30, 2011 are:

<u>Program Name</u>	<u>CFDA#</u>
U.S. Department of Housing and Urban Development Passed through South Carolina Department of Commerce CDBG - QuickJobs Development Center	14.228
U.S. Department of Commerce EDA Economic Development Administration Grant	11.300

- H. The threshold for determining Type A programs for Colleton County, South Carolina is \$300,000.
- I. Colleton County, South Carolina did not qualify as a low risk auditee.

II. Findings Related to the Audit of the Financial Statements of Colleton County, South Carolina:

There were two findings noted for the year ended June 30, 2011 which are required to be reported in accordance with *Government Auditing Standards*.

Finding 2011-1

Criteria:

The tax billings related to the purchase of new vehicles by County residents should be processed in a timely manner by the County Auditor's Office..

Condition:

The tax billings related to the purchase of new vehicles by County residents are not being processed in a timely manner. We found that the billings have been delayed as much as sixteen months.

Cause:

The processing of the tax billings in the Auditor's Office is being performed manually and are not processed in a timely manner.

Effect:

Revenue recognition is being delayed because the billing is not being processed in a timely manner.

Recommendation:

To improve internal control and operating efficiency, management should establish policies and procedures to process tax billings related to the purchase of new vehicles in a timely manner.

Management's Response:

The county auditor maintains that the 120 day bills became backlogged due to the additional workload created by the new property tax software installed in 2009. Significant progress has been made since now the 120 day bills are only 8 months behind and the County has employed temporary workers to enable the auditor's office to reduce the remaining backlog. Options for changes in the process are currently being considered to ensure that such a backlog does not reoccur.

Auditor's Conclusion:

The policies and procedures implemented by the County to process new vehicle tax billings are sufficient.

Finding 2011-2

Criteria:

Equitably shared funds shall be used by law enforcement agencies for law enforcement purposes only. Law enforcement purposes include investigations, training, facilities, equipment, travel and transportation, awards and memorials, and drug and gang education and awareness programs. Costs associated with law enforcement equipment include equipment for use by law enforcement personnel and supports law enforcement activities such as furniture, office supplies, computers, body armor, uniforms, radios, cellular phones and vehicles.

Condition:

Employee of the Sheriff's Department had a clothing allowance for uniforms. Instead of using the funds or uniforms, employees were given money to purchase clothes that could also be used for personal use.

Context:

The County brought this disallowed costs finding to our attention, which demonstrates it has internal control in place for A-133 compliance.

Effect:

Disbursements for improper clothing purchases are not allowed in the Federal Equitable Sharing Program agreement resulting in taxable fringe benefits to officers.

Cause:

Insufficient understanding of the definition of clothing allowance as defined in the Federal Equitable Sharing Program agreement.

Recommendation:

When grant funds are received, management should review all contract requirements and the County's accounting department should provide more oversight over the program activities.

Management's Response:

Clothing allowances from this fund were disbursed by Sheriff's from past administrations at the Colleton County Sheriff's Office and Sheriff Malone continued the practice until he learned that disbursements for this purpose were not allowed under the Equitable Sharing Program. Note that audits during previous administrations did not find this as not allowable under the Equitable Sharing Program. When this issue was a finding in the fiscal 2010 audit report, the Sheriff's Office had already disbursed more clothing

allowances out of this fund in fiscal year 2011. When the Sheriff's Office discovered that disbursements for these purposes were not allowed under the Equitable Sharing Program, the Sheriff's Office ceased the policy of using Equitable Sharing Funds for purposes of clothing allowances. All funds disbursed for the purposes of clothing allowances in fiscal years 2010 and 2011 have been reimbursed to the Equitable Sharing Program by the County general fund.

Auditor's Conclusion:

The County has implemented adequate policies and procedures for determining allowable costs for federal grants.

III Findings and Questioned Costs Related to the Audit of Federal Awards

There were no findings noted for the year ended June 30, 2011, that are required to be reported in accordance with OMB Circular A-133 criteria.

IV. Prior Audit Findings Related to the Audit of the Financial Statements of Florence County, South Carolina.

2010-04 - Federal Equitable Sharing Program CFDA 16.000

Criteria:

Equitably shared funds shall be used by law enforcement agencies for law enforcement purposes only. Law enforcement purposes include investigations, training, facilities, equipment, travel and transportation, awards and memorials, and drug and gang education and awareness programs. Costs associated with law enforcement equipment include equipment for use by law enforcement personnel and supports law enforcement activities such as furniture, office supplies, computers, body armor, uniforms, radios, cellular phones and vehicles.

Condition:

Each employee at the Sheriff's Department had a clothing allowance for uniforms. Instead of using the funds for uniforms, employees were given money to purchase clothes that could also be used for personal use.

Context:

The County brought this disallowed costs finding to our attention, which demonstrates it has internal control in place for A-133 compliance.

Effect:

Improper disbursement of clothing purchase are not allowed in the Federal Equitable Sharing Program agreement resulting in taxable fringe benefits to officers.

Cause:

Insufficient understanding of the definition of clothing allowance as defined in the Federal Equitable Sharing Program agreement.

Recommendation:

When grant funds are received, management should review all contract requirements and the County's accounting department should provide more oversight over the program activities.

Managements Response:

Clothing allowances from this fund were disbursed by Sheriff's from past administrations at the Colleton County Sheriff's Office and Sheriff Malone continued the practice until he learned that disbursements for this purpose were not allowed under the Equitable Sharing Program. Note that audits during previous administrations did not find this as not allowable under the Equitable Sharing Program. When this issue was a finding in the fiscal 2010 audit report, the Sheriff's Office had already disbursed more clothing allowances out of this fund in fiscal year 2011. When the Sheriff's Office discovered that disbursements for these purposes were not allowed under the Equitable Sharing Program, the Sheriff's Office ceased the policy of using Equitable Sharing Funds for purposes of clothing allowances. All funds disbursed for the purposes of clothing allowances in fiscal years 2010 and 2011 have been reimbursed to the Equitable Sharing Program by the County general fund.