

**COLLETON COUNTY
SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2005

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BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

Certified Public Accountants and Financial Advisors

Marda H. Bryan, CPA
James T. Truesdale, CPA
Ellen K. Adkins, CPA
Betsy M. Williams, CPA, CFP®
Charlotte E. Allen, CPA, CFE

100 South Main Street, Suite G
Post Office Box 1588
Summerville, South Carolina 29484
Tele: 843.873.4400 Fax: 843.873.7227
Toll Free: 800.551.6032
Email: braw@btaw-cpas.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of **Colleton County, South Carolina**, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Colleton County, South Carolina's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colleton County Commission on Alcohol and Drug Abuse, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of **Colleton County, South Carolina**, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2005, on our consideration of **Colleton County, South Carolina's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Members of County Council
Colleton County, South Carolina
Walterboro, South Carolina
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The management's discussion and analysis and the budgetary comparison schedule on pages 3 through 10 and 46 through 47, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Bryan, Tuesdale, Adkins + Williams, PA

November 4, 2005

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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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 ended June 30, 2005. Please read this information in conjunction with the detailed statements and notes to the financial statements in order to achieve a better understanding of the County's financial performance for the fiscal year.

Financial Highlights

- The County's total general fund assets were \$19,673,279 as of June 30, 2005, compared to \$9,813,299 at the end of the previous year. The largest portion of this increase is related to the current tax receivable, with other increases related to the improvements to the County's cash position and prepaid expenses at the June 30, 2005 fiscal year end.
- The County's total general fund liabilities at June 30, 2005 were \$12,464,780 compared to \$4,148,083 at the end of the previous year. The largest portion of this increase over the prior year is the deferred revenue for tax collections.
- As of the close of the current fiscal year, the County Governmental Funds reported combined ending fund balances of \$15,076,250. This amount represents a total increase of 12.79% over originally stated prior year fund balances. Of this amount \$6,848,633 (45.43%) is unreserved and available for the General Fund governmental operations with \$100,944 (.66%) unreserved and designated for the subsequent year General Fund operations and \$258,922 (1.72%) reserved for prepaid expenses. In addition, \$2,438,615 (16.18%) is undesignated and available for appropriations in the various County Special Revenue Funds. The County Capital Projects Funds have \$4,578,520 (30.36%) of the fund balance amount reserved for future capital projects, and \$310,367 in undesignated fund balance; Debt Service funds have \$418,872 (2.78%) available for future General Obligation Bond payments, and Other Governmental Funds have \$101,145 (.67%) reserved for outstanding encumbrances, in addition to \$20,232 (.13%) designated for future landfill postclosure costs.
- The County's long-term debt position decreased 5.88% in total during the fiscal year ended June 30, 2005. Capital lease debt increased 8.22% with the issuance of additional debt in the amount of \$898,000 net with overall decreases related to principal debt retirement; General Obligation Bond debt decreased 11.85%; Revenue Bond debt decreased 9.11% and Notes Payable debt decreased 5.90%, all related to the principal debt retirement during fiscal year. The compensated absence liability of the County decreased in total .67% for the fiscal year ended June 30, 2005.
- The County's Solid Waste Division long-term debt related to landfill postclosure cost increased due to revised engineering reports to a total liability amount of \$152,914 which represents a 366.49% increase over the prior year estimate of \$32,780.
- The Fire & Rescue Commission's, one of the County's component units, long-term debt position decreased 9.06% in total, directly related to the retirement of the principal portion of outstanding debt which decreased overall by 9.81%. The long-term debt related to compensated absences increased to \$100,517 from the prior year amount of \$46,730 for a total increase of 115.10% related to the Council's action to place all County ambulance operations under the County Fire and Rescue Commission.
- The total fund balance positions for the County Special Revenue Funds increased 17.57% during fiscal year ended June 30, 2005. This increase is directly related to overall increases in revenues across the board in the majority of the County Special Funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 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

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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Government-wide Financial Statements - Government-wide financial statements are designed to provide readers with a broad overview of the financial position of the 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 11 to 13 of this report.

The Statement of Net Assets shows the County's assets less its liabilities at June 30, 2005. 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 the County government that are principally supported by taxes and intergovernmental 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).

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.

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 separate columns in the government-wide statements of net assets and as a separate column in the statement of activities, combining statement and of activities is presented after 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 County Alcohol and Drug Commission, The County Memorial Library, and The County Fire and Rescue Commission.

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 the County government can be divided into three categories: governmental, proprietary and fiduciary.

Governmental Funds – Governmental funds, presented on pages 14 to 19, 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 of funds 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 the County government's near-term financing requirements and available resources.

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

Governmental funds individually presented in the County government's statements include three major funds, the General Fund, Economic Development and Capital Improvement Fund and the Special Grants Fund. Although there are many smaller funds in the County government reporting system, they have been presented in a total column titled "Other Governmental Funds." Combining statements for these other governmental funds have been presented on pages 49 to 56 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The basic fiduciary fund financial statement can be found on page 20 and page 57 of this report.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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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 22 to 46 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The government-wide statements encompass all the funds of the County, not just the general operational fund. In the case of the County, total assets exceeded liabilities by \$27,383,371 at the close of the June 30, 2005, fiscal year, as compared to \$23,879,865 at June 30, 2004.

\$15,571,192 (56.86%) 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, 2005, as compared to \$18,454,916 (77.28%) at June 30, 2004.

Although the County's investment in capital assets is reported net of related debt, it should be noted that 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.

The remaining balance of unrestricted net assets \$10,986,567 (40.12%) may be used to meet the government's ongoing obligations to citizens and creditors at June 30, 2005, as compared to \$5,424,949 (22.72%) at June 30, 2004. At June 30, 2005, additional net assets are restricted for capital improvements in the amount of \$825,612 (3.02%).

**Colleton County, South Carolina
Summary of Net Assets
(Primary Government)
June 30, 2005 and 2004**

	Governmental Activities		Business-type Activities*		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 29,669,112	\$ 17,981,576	-	\$ 481,166	\$ 29,669,112	\$ 18,462,742
Capital assets	28,195,548	26,342,702	-	1,157,893	28,195,548	27,500,595
Total assets	57,864,660	44,324,278	-	1,639,059	57,864,660	45,963,337
Long-term liabilities outstanding	16,573,612	15,261,885	-	147,869	16,573,612	15,409,754
Other liabilities	13,907,677	5,182,528	-	106,258	13,907,677	5,288,786
Total liabilities	30,481,289	20,444,413	-	254,127	30,481,289	20,698,540
Net assets:						
Investment in capital assets, net of related debt	15,571,192	18,454,916	-	959,459	15,571,192	19,414,375
Restricted:						
Capital improvements	825,612	-	-	-	825,612	-
Unrestricted	10,986,567	5,424,949	-	425,473	10,986,567	5,850,422
Total net assets	\$ 27,383,371	\$ 23,879,865	\$ -	\$ 1,384,932	\$ 27,383,371	\$ 25,264,797

* The Solid Waste Fund was changed from a business-type to a governmental activity in 2005. See Note III. A.

At June 30, 2005, \$4,645,276 is being held by the County as restricted cash and investments to be used for the planned purchase/construction of additional capital assets to provide services to citizens; consequently, these assets are not available for future spending, as compared to \$8,882,460 at June 30, 2004.

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

Governmental Activities – Governmental activities account for 100% of the total county activity at June 30, 2005, as compared to 94.52% at June 30, 2004. This information is further recapped on page 12 of this financial report in the Statement of Activities.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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Colleton County, South Carolina
Summary of Changes in Net Assets
(Primary Government)
For the fiscal years ended June 30, 2005 and 2004

	Governmental Activities		Business-type Activities*		Totals	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues						
Charges for services	\$ 2,487,862	\$ 2,663,975	\$ -	\$ 297,286	\$ 2,487,862	\$ 2,961,261
Operating grants and contributions	1,574,556	3,181,662	-	66,405	1,574,556	3,248,067
Capital grants and contributions	496,416	161,807	-	-	496,416	161,807
General Revenues						
Property taxes	11,823,872	11,966,283	-	-	11,823,872	11,966,283
Other taxes	7,197,824	6,694,443	-	-	7,197,824	6,694,443
Grants and contributions not restricted to specific programs	1,795,135	1,979,263	-	-	1,795,135	1,979,263
Unrestricted interest	212,826	75,574	-	421	212,826	75,995
Sale of capital assets	26,394	7,353	-	-	26,394	7,353
Miscellaneous/other income	46,952	45,642	-	85	46,952	45,727
Total Revenue	25,661,837	26,776,002	-	364,197	25,661,837	27,140,199
Expenses						
Program Activities						
Governmental Activities						
General government	5,340,259	5,444,585	-	-	5,340,259	5,444,585
Judicial	1,609,223	1,357,474	-	-	1,609,223	1,357,474
Public safety	8,355,260	8,580,993	-	-	8,355,260	8,580,993
Streets and highways	1,923,415	1,860,264	-	-	1,923,415	1,860,264
Sanitation	1,794,280	-	-	-	1,794,280	-
Recreation and culture	976,080	932,694	-	-	976,080	932,694
Health and human services	964,771	964,263	-	-	964,771	964,263
Economic development	704,122	878,618	-	-	704,122	878,618
Intergovernmental	862,515	889,704	-	-	862,515	889,704
Interest and fiscal charges	844,149	881,022	-	-	844,149	881,022
Business-type Activities						
Solid waste	-	-	-	1,501,411	-	1,501,411
Total Expenses	23,374,074	21,789,617	-	1,501,411	23,374,074	23,291,028
Transfers	-	(1,360,137)	-	1,360,137	-	-
Special items						
Assignment of Emergency Medical Services to component unit	(424,146)	-	-	-	(424,146)	-
Increase in Net Assets	1,863,617	3,626,248	-	222,923	1,863,617	3,849,171
Net assets beginning of year, as restated	25,519,754	-	-	-	25,519,754	-
Net assets end of prior fiscal year	-	20,253,617	-	1,162,009	-	21,415,626
Net Assets End of Year	\$ 27,383,371	\$ 23,879,865	\$ -	\$ 1,384,932	\$ 27,383,371	\$ 25,264,797

* The Solid Waste Fund was changed from a business-type to a governmental activity in 2005. See Note III. A.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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Additional Note on Governmental Activities: The County levies a vehicle user fee annually through tax appropriations, which is reflected in the general revenues section of the Statement of Activities on pages 12 and 13. This vehicle user fee is designated to the Roads and Bridges Special Revenue Fund for operations. The General Government contributed a total of \$659,193 for operations to offset the total cost of operations not funded through the vehicle user fee for the fiscal year ended June 30, 2005. In addition, the General Government contributed \$647,697 from Capital Lease proceeds to purchase equipment for the Roads and Bridges/Public Works functions of the County.

The County received \$496,416 in Contributed Capital from the State of South Carolina to implement a State-Wide voting system. The amount listed as Capital Grants and Contributions was determined by the State of South Carolina as the value of the voting system. This amount is reflected under Governmental activities for the General government on the Statement of Activities, page 12 for the fiscal year ended June 30, 2005.

Required Supplementary Information – Required Supplementary Information includes the Budgetary Comparison Schedule presented on pages 46 to 47 of this report. The format presented is required by the Governmental Accounting Standards Board (GASB) Statement No. 34 and presents actual data using the budgetary basis of accounting for the County.

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 the 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 reported combined ending fund balances at June 30, 2005:

Colleton County, South Carolina Governmental Fund Balances (Primary Government) June 30, 2005						
	General	Economic Development and Capital Improvements	Special Grants	Other Governmental Funds	Total Governmental Funds	% Total
Reserved						
Encumbrances	\$ -	\$ -	\$ -	\$ 101,145	\$ 101,145	0.67%
Prepays	258,922	-	-	-	258,922	1.72%
Capital projects	-	3,917,909	-	660,611	4,578,520	30.37%
Unreserved						
Designated for						
Subsequent years' appropriations	100,944	-	-	-	100,944	0.67%
Landfill postclosure cost	-	-	-	20,232	20,232	0.13%
Undesignated, reported in						
General fund	6,848,633	-	-	-	6,848,633	45.43%
Special revenue funds	-	-	94,840	2,343,775	2,438,615	16.18%
Capital projects funds	-	-	-	310,367	310,367	2.06%
Debt service funds	-	-	-	418,872	418,872	2.78%
Total Fund Balances	\$ 7,208,499	\$ 3,917,909	\$ 94,840	\$ 3,855,002	\$ 15,076,250	

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

**Colleton County, South Carolina
Governmental Fund Balances
(Primary Government)
June 30, 2005**

	General	Economic Development and Capital Improvements	Special Grants not Reported as Major Fund	Other Governmental Funds	Total Governmental Funds	% Total
Reserved						
Encumbrances	\$ -	\$ -	\$ -	\$ 100,595	\$ 100,595	0.00%
Capital acquisitions	562,000	-	-	-	562,000	4.20%
Capital projects	-	4,367,567	-	891,898	5,259,465	39.35%
Debt service	-	-	-	267,588	267,588	2.00%
Unreserved						
Undesignated	5,103,216	-	-	-	5,103,216	38.18%
Reported in Special revenue funds	-	-	-	2,074,121	2,074,121	15.52%
Total Fund Balances	\$ 5,665,216	\$ 4,367,567	\$ -	\$ 3,334,202	\$ 13,366,985	

General Fund Budgetary Highlights - Approximately 5% of the County's prior year unreserved fund balance for a total of \$338,326 was appropriated for General Fund expenditures during fiscal year ended June 30, 2005. The County actually did not utilize this fund balance appropriation due, in part, to the following factors:

- Total revenues exceeded budgeted projections by 10.47%, resulting in an increase in fund balance in the total amount of \$1,291,348 for fiscal year ended June 30, 2005, with actual expenditures for the year remaining consistent with budgeted expenditures.
- Tax revenue collections exceeded the original amount projected by 8.44%; the largest portion of this increase is related to collections in the Delinquent Tax Office of \$389,069 over the original budgeted projections. The overall collection rate in the tax offices was 99.88% for the fiscal year, which exceeded the projected collection rate of 96.7% for the fiscal year.
- Recording document fees exceeded the budgeted amount for the year by \$111,115, which represents an increase of 16% over the prior year and 36% over the amount budgeted for fiscal year ended June 30, 2005.
- Court fine revenues increased a total of \$142,303 over the prior year and represents an increase of 23% over the prior year revenues.
- Investment earnings for the County exceeded the budget by \$99,883 for fiscal year ended June 30, 2005.
- State contributions and grants increased for the General Fund in the amount of \$143,682 for a total increase of 4.26% over the prior year.
- Sales Tax Revenues increased \$44,217 over the prior year and represents an increase of 6.6% over the prior year revenues.

Overages on the comparison of budget to actual expenditures on page 47 are comprised of capital assets not budgeted within the General Fund for capital lease expenditures in fiscal year ended June 30, 2005. The County prepares a separate capital lease budget annually each year and does not amend the General Fund for these expenditures due to funding regulations to Elected Official offices. The overage amount in Public Safety is due to contributions to the Colleton County Fire and Rescue Commission in the amount of \$386,411 for ambulance service equipment funded through the 2005 Lease Purchase Agreement, and the amount of overage in Economic Development is related to capital expenditures from the 2005 Lease Purchase Agreement in the amount of \$23,912 not budgeted in the County General Fund.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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Compliant Fund Balance - The County Budget Ordinance directs the utilization of a compliant fund balance methodology based on the cash-flow needs of the County in order to operate during the fiscal year prior to the receipt of tax revenues at the beginning of the calendar year. The unreserved fund balance needed for operations is projected annually during the budget process and is monitored during the fiscal year. Based on projected figures for the June 30, 2006, budget, the amount needed to sustain operations without borrowing funds is projected to be at a minimum of \$5 million or approximately 73% of the total June 30, 2005, undesignated fund balance at June 30, 2005.

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.

Capital Asset and Debt Administration

Capital Assets – The County's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$28,195,548 (net of accumulated depreciation) as compared to \$27,500,595 at June 30, 2004. This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, bridges and easements.

Additional information on the County's capital assets can be found on pages 33 to 35 in the notes to the financial statements.

Debt Administration

Long-term debt – At June 30, 2005, the County had total debt outstanding of \$16,039,603 compared to fiscal year ending June 30, 2004, of \$17,196,067, which represents a decrease of 6.73% over the prior fiscal year. This decrease is related to the retirement of debt through the payment of the principal portion on the outstanding debt during the fiscal year. Of the \$16,039,603 outstanding at June 30, 2005, \$2,975,432 (18.55%) is representative of notes payable from lease purchase agreements for capital equipment purchases, \$5,685,526 (35.45%) is related to General Obligation Bonds Debt, \$3,239,134 (20.19%) is related to Enterprise Financing Agreement debt for the construction of the VA Nursing Home project with the State of South Carolina and \$4,139,511 (25.81%) in Special Source Revenue Bonds for the development of the multi-county industrial park off interstate I-95 in Colleton County.

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 the total assessed value of properties within the County's boundaries. The current General Obligation Bond debt limitation for the County, based on information received from the County Auditor related to the 2004 Tax Assessments is \$9,462,919 for fiscal year ended June 30, 2005.

The County Fire and Rescue Commission had total debt outstanding of \$6,910,484 at June 30, 2005, related to the construction of new fire stations and acquisition of capital assets to improve the Insurance Service Office (ISO) fire ratings in order to reduce property insurance premiums countywide. The total outstanding debt for the County Fire and Rescue Commission at June 30, 2005, represents a 9.81% decrease over the prior fiscal year ended June 30, 2004, outstanding debt of \$7,662,558.

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

COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005

Page 8 of 8

Economic Factors and Next Years Budget - The County has seen stable growth in the vehicle digest over the past three years, which continues to help reduce the effect of the vehicle draw-down, which imposes assessment rate drops from 10.5% to 6% as required by State Law. The Delinquent Tax Office collection rate continues to improve each fiscal year with 8.44% growth over the prior year collections, which may indicate improvements within the local economy. In addition, the overall tax collection rates exceeded the amount projected by approximately 3.2% for fiscal year ended June 30, 2005.

Sales tax revenues also increased approximately 6.6% over the prior fiscal year, which may also be an indication of improvements to the local economy, as well as increases in State Shared Revenues for a total increase of 4.26% over the prior year. Recording document fees continue to rise with an increase of 16% over the prior year, which indicates stability in the housing markets.

The County's Special Source Revenue Bond Fund generated \$175,380 more revenues than the related debt. These funds have been set aside in a Capital Projects Fund in accordance with the bond covenants for future economic development projects. The funds generated from this revenue source are used to pay for the outstanding debt related to the industrial park project off I-95.

The County's tax base has grown modestly over the past five years averaging a 2.9% annual increase in total assessed values. The County implemented reassessment in the County for fiscal year ending June 30, 2006, for the first time in over eight years, and increased the total assessed values by approximately 34%.

Retail sales within the County continue to rise each year and the opening of the Super Wal-Mart in October 2005 off Interstate I-95 should further increase retail sales within the County for the upcoming fiscal year ending June 30, 2006. The County, in conjunction with the State of South Carolina and the Federal government, entered into a joint project to develop a Veteran's Affairs Nursing Home, which is slated to be completed by April 2006. The opening of the VA Nursing Home in the County will bring approximately 250 new jobs to the area.

Other improvements within the County include the existing Walterboro Veneer Plant expansion which will bring approximately 50 more jobs to the area. The County also continues to develop the County Commerce Park, strategically located off Interstate I-95, which will target light manufacturing and distribution based companies. The County Airport has also received Foreign Trade Zone status to improve the viability of the area. Local businesses are also taking interest in the local economy with private investments of \$195,000 to the Economic Development Alliance during fiscal year ended June 30, 2005.

County-wide improvements to the fire systems have improved the Insurance Service Office (ISO) ratings for the County to an overall rating of 4 in June 2005. This rating is the lowest in the State of South Carolina for fire services, and will decrease insurance premiums for residents in the County by approximately 50%. The Council's innovative move to combine ambulance services with fire and rescue services in fiscal year ended June 30, 2004, also won the South Carolina Association of Counties J. Graham Mitchell Award in fiscal year June 30, 2005.

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

BASIC FINANCIAL STATEMENTS

COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary			
	Government	Component Units		
	Governmental Activities	Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse
Assets				
Cash and investments	\$ 10,350,104	\$ 42,056	\$ 513,042	\$ 349,811
Receivables, net of allowances				
Property taxes	12,319,746	-	2,335,536	-
Accounts	83,754	-	375,851	52,254
Other	254,622	61	-	47,849
Due from component units	245,094	-	-	-
Due from other governments	1,347,727	2,187	26,857	-
Prepaid expenses	422,789	4,895	67,686	-
Temporarily restricted assets				
Cash and investments	4,645,276	-	430,641	-
Capital assets				
Nondepreciable	6,684,280	-	263,439	-
Depreciable, net of accumulated depreciation	21,511,268	360,083	6,253,518	6,241
Total assets	57,864,660	409,282	10,266,570	456,155
Liabilities				
Accounts payable	1,277,564	-	71	7,927
Accrued liabilities	698,283	-	-	-
Due to primary government	-	24,953	212,670	7,471
Unearned revenues	11,615,351	8,930	2,126,940	-
Accrued interest	316,479	-	96,085	-
Noncurrent liabilities				
Due within one year	2,209,553	1,879	832,500	6,421
Due in more than one year	14,364,059	12,039	6,178,502	7,569
Total liabilities	30,481,289	47,801	9,446,768	29,388
Net assets				
Invested in capital assets, net of related debt	15,571,192	360,083	409,474	6,241
Restricted for				
Debt service	-	-	293,385	-
Capital improvements	825,612	-	-	50,000
Unrestricted	10,986,567	1,398	116,943	370,526
Total net assets	\$ 27,383,371	\$ 361,481	\$ 819,802	\$ 426,767

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

**COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 5,340,259	\$ 428,794	\$ 94,619	\$ 496,416
Judicial	1,609,223	485,554	382,215	-
Public safety	8,355,260	1,153,053	479,018	-
Streets and highways	1,923,415	10,647	-	-
Sanitation	1,794,280	404,248	40,031	-
Recreation and culture	976,080	5,566	201,023	-
Health and human services	964,771	-	363,400	-
Economic development	704,122	-	14,250	-
Intergovernmental	862,515	-	-	-
Interest and fiscal charges	844,149	-	-	-
Total primary government	<u>\$ 23,374,074</u>	<u>\$ 2,487,862</u>	<u>\$ 1,574,556</u>	<u>\$ 496,416</u>
Component Unit				
Colleton County Memorial Library	\$ 614,630	\$ 22,501	\$ 72,555	\$ 9,573
Colleton County Fire and Rescue Commission	5,468,676	517,616	103,127	392,911
Colleton County Commission on Alcohol and Drug Abuse	793,641	118,857	710,228	-
	<u>\$ 6,876,947</u>	<u>\$ 658,974</u>	<u>\$ 885,910</u>	<u>\$ 402,484</u>

General revenues:

Taxes:

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

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

Special item

- Assignment of emergency medical services
to Colleton County Fire and Rescue Commission

Total general revenues and special items

Change in net assets

Net assets

- Beginning of year, as restated
- End of year

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

Primary Government	Component Units		
	Colleton County Memorial Library	Colleton County Fire and Rescue Commission	Colleton County Commission on Alcohol and Drug Abuse
\$ (4,320,430)			
(741,454)			
(6,723,189)			
(1,912,768)			
(1,350,001)			
(769,491)			
(601,371)			
(689,872)			
(862,515)			
(844,149)			
<u>(18,815,240)</u>			
	\$ (510,001)		
		\$ (4,455,022)	
			\$ 35,444
	<u>(510,001)</u>	<u>(4,455,022)</u>	<u>35,444</u>
11,823,872	-	2,597,998	-
81,299	-	19,870	-
772,833	-	162,249	-
138,115	-	25,585	-
1,447,193	-	135,846	-
1,911,181	-	-	-
131,314	-	-	-
418,792	-	-	-
679,571	-	-	-
833,152	-	-	-
711,466	-	-	-
72,908	-	-	-
1,795,135	548,118	1,383,141	-
212,826	162	2,328	1,798
26,394	-	-	-
46,952	-	-	1,229
<u>(424,146)</u>	<u>-</u>	<u>424,146</u>	<u>-</u>
<u>20,678,857</u>	<u>548,280</u>	<u>4,751,163</u>	<u>3,027</u>
1,863,617	38,279	296,141	38,471
<u>25,519,754</u>	<u>323,202</u>	<u>523,661</u>	<u>388,296</u>
<u>\$ 27,383,371</u>	<u>\$ 361,481</u>	<u>\$ 819,802</u>	<u>\$ 426,767</u>

**COLLETON COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Economic Development and Capital Improvements	Special Grants	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 6,718,417	\$ 225	\$ 155,958	\$ 3,475,504	\$ 10,350,104
Receivables, net of allowances					
Property taxes	10,935,817	-	-	1,383,929	12,319,746
Accounts	35,581	-	-	48,173	83,754
Other	121,078	-	-	133,544	254,622
Due from other funds	438,664	-	-	25,743	464,407
Due from component units	239,202	-	-	5,892	245,094
Due from other governments	923,839	-	271,876	152,012	1,347,727
Prepays	258,922	-	-	-	258,922
Temporarily restricted					
Cash and investments	1,759	3,917,909	42,040	683,568	4,645,276
Total assets	\$ 19,673,279	\$ 3,918,134	\$ 469,874	\$ 5,908,365	\$ 29,969,652
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 934,584	\$ -	\$ -	\$ 342,980	\$ 1,277,564
Accrued liabilities	698,283	-	-	-	698,283
Due to other funds	25,742	225	174,759	263,681	464,407
Deferred revenues	10,806,171	-	200,275	1,446,702	12,453,148
Total liabilities	12,464,780	225	375,034	2,053,363	14,893,402
Fund Balances					
Reserved for					
Encumbrances	-	-	-	101,145	101,145
Prepays	258,922	-	-	-	258,922
Capital projects	-	3,917,909	-	660,611	4,578,520
Unreserved					
Designated for					
Subsequent years' appropriations	100,944	-	-	-	100,944
Landfill postclosure	-	-	-	20,232	20,232
Undesignated, reported in					
General fund	6,848,633	-	-	-	6,848,633
Special revenue funds	-	-	94,840	2,343,775	2,438,615
Capital projects funds	-	-	-	310,367	310,367
Debt service funds	-	-	-	418,872	418,872
Total fund balances	7,208,499	3,917,909	94,840	3,855,002	15,076,250
Total liabilities and fund balances	\$ 19,673,279	\$ 3,918,134	\$ 469,874	\$ 5,908,365	\$ 29,969,652

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

**COLLETON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total governmental fund balances	\$ 15,076,250
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Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$37,804,541 and the accumulated depreciation is \$9,608,993.	28,195,548
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Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds:

Property taxes	\$ 790,427		
Court fines	35,580		
Landfill fees	7,940		
Other	3,850		
			837,797

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

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

General obligation bonds	\$ (5,685,526)		
Note payable	(3,239,134)		
Special source revenue bonds	(4,139,511)		
Capital leases	(2,975,432)		
Compensated absences	(314,095)		
Landfill closure and postclosure cost	(152,914)		
Claims and judgements	(67,000)		
Accrued interest	(316,479)		
			(16,890,091)

Net assets of governmental activities	\$ 27,383,371
----------------------------------------------	----------------------

The accompanying notes are an integral part of this statement.

COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Economic Development and Capital Improvements	Special Grants
Revenues			
Taxes	\$ 15,754,161	\$ -	\$ -
Licenses and permits	128,422	-	-
Intergovernmental revenues	2,131,347	-	609,848
Fines and fees	1,260,685	-	-
Interest income	139,883	58,695	111
Other income	20,264	-	6,181
Total revenues	19,434,762	58,695	616,140
Expenditures			
Current			
General government	5,218,969	-	11,519
Judicial	1,165,952	-	-
Public safety	6,841,796	-	226,287
Streets and highways	74,812	-	-
Sanitation	-	-	-
Recreation and culture	703,643	-	12,462
Health and human services	503,555	-	363,610
Economic development	208,475	437,872	14,250
Intergovernmental	465,600	-	-
Capital outlay	-	70,481	-
Debt service			
Principal retirement	610,490	-	-
Interest and fiscal charges	58,744	-	-
Total expenditures	15,852,036	508,353	628,128
Excess (deficiency) of revenues over (under) expenditures	3,582,726	(449,658)	(11,988)
Other financing sources (uses)			
Proceeds from sale of property	29,588	-	-
Proceeds from capital lease	898,000	-	-
Transfers in	43,052	-	-
Transfers out	(3,138,267)	-	-
Total other financing sources (uses)	(2,167,627)	-	-
Excess (deficiency) before special items	1,415,099	(449,658)	(11,988)
Special item			
Assignment of emergency medical services to fire and rescue component unit	(123,751)	-	-
Net change in fund balance	1,291,348	(449,658)	(11,988)
Fund balances			
Beginning of year, as restated	5,917,151	4,367,567	106,828
End of year	\$ 7,208,499	\$ 3,917,909	\$ 94,840

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

Other Governmental Funds	Total Governmental Funds
\$ 3,399,602	\$ 19,153,763
-	128,422
1,273,981	4,015,176
803,436	2,064,121
12,407	211,096
39,458	65,903
<u>5,528,884</u>	<u>25,638,481</u>
2,364	5,232,852
365,571	1,531,523
1,184,395	8,252,478
2,000,468	2,075,280
1,854,391	1,854,391
243,181	959,286
2,265	869,430
67,337	727,934
396,915	862,515
167,078	237,559
1,443,975	2,054,465
788,293	847,037
<u>8,516,233</u>	<u>25,504,750</u>
<u>(2,987,349)</u>	<u>133,731</u>
38,695	68,283
-	898,000
3,839,656	3,882,708
(744,441)	(3,882,708)
<u>3,133,910</u>	<u>966,283</u>
146,561	1,100,014
-	(123,751)
146,561	976,263
3,708,441	14,099,987
<u>\$ 3,855,002</u>	<u>\$ 15,076,250</u>

**COLLETON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Page 1 of 2

Net change in fund balances - total governmental funds \$ 976,263

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

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

Capital outlay	\$	2,911,194	
Depreciation expense		<u>(1,787,947)</u>	1,123,247

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	\$	(962,122)	
Accumulated depreciation		<u>533,828</u>	(428,294)
Net book value			

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

Amounts not meeting prior year availability criteria, recognized in governmental funds in current year			
Property taxes	\$	(1,301,673)	
Court fines		(35,580)	
Amounts not meeting current year availability criteria, not recognized in governmental funds in current year			
Property taxes		790,427	
Landfill fees		7,940	
Court fines		35,580	
Other		<u>3,850</u>	(499,456)

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. (6,281)

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	\$	(34,695)	
Landfill closure and postclosure cost		(120,134)	
Accrued interest		<u>(3,103)</u>	(157,932)

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Page 2 of 2

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 incurred:			
Capital lease financing	\$	(898,000)	
Principal repayments:			
General obligation bonds		764,459	
Note payable		202,968	
Special source revenue bond		415,128	
Capital leases		671,909	
	\$		1,156,464

The customer receivable balances transferred from the County (primary government) to the Fire and Rescue Commission (component unit) as a special item are recorded in the fund statements net of amounts not meeting the prior year availability criteria. (337,231)

Compensated absences transferred from the County to the Fire and Rescue Commission are included in the special item recorded on the statement activities. 36,837

Change in net assets of governmental activities \$ 1,863,617

The accompanying notes are an integral part of this statement.

**COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2005**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 13,344,123
Accounts receivable	<u>252,740</u>
Total assets	<u><u>\$ 13,596,863</u></u>
Liabilities	
Assets held for others	<u>\$ 13,596,863</u>
Total liabilities	<u><u>\$ 13,596,863</u></u>

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

Blended Component Units.

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

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

Discretely Presented Component Units.

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

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

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Statements:

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

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

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

Major Funds

The County reports the following major governmental funds:

1. The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *Economic Development and Capital Improvements Fund*, a capital projects fund, accounts for the acquisition or construction of capital assets.
3. The *Special Grants Fund*, a special revenue fund, accounts for the receipt and disbursement of grant funds from various Federal, State and local sources.

Nonmajor Funds

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

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

The *Debt Service fund* accounts for the accumulation of resources for, and the payment of, general 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 *Capital Projects funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non expendable trust funds.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for grant reimbursements, for which the availability period is 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt for acquisitions under capital leases are reported as other financing sources.

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

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all property taxes.

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Cash Equivalents and Deposits

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

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

2. Investments

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

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

3. Prepaid Items

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

4. Receivables

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Receivables (Continued)

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 represent 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 January 1, 2005. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as deferred revenue and thus not recognized as revenue until collected in the governmental funds.

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

7. Long-Term Obligations

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

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

8. Claims and Judgments

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

9. Compensated Absences

It is the County's and its component units' policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. There is no liability for unpaid accumulated sick leave, since it is the County's policy to record the cost of sick leave only when it is paid and no benefits vest upon termination.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

All vacation and compensatory pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only to the extent they are payable from current resources, and represent matured liabilities, for example, as a result of employee resignations and retirements.

10. Reservations and Designations of Fund Balances

Government-wide Statements

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

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

Fund Statements

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

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

E. USE OF ESTIMATES

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. ENCUMBRANCES

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

B. FUND EQUITY DEFICITS

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

Fund	Deficit	Resource for Elimination
Special Revenue Funds		
Sheriff's Federal Asset	\$ 316,060	Future revenues

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS

A. PRIOR PERIOD ADJUSTMENTS

Beginning fund balances and governmental net assets in the government-wide financial statements were restated as follows:

Primary Government

Business-type fund statements

Net assets as originally presented - accrual basis	\$ 1,384,932
Change in accounting policy	
Solid Waste Fund changed fund type from enterprise to special revenue, since it is not the County's intent to recover costs	
- Capital assets	(1,157,803)
- Capital leases	203,198
- Landfill closure and postclosure costs	32,780
- Compensated absences	10,225
- Accrued interest	2,726
Net assets as restated - modified accrual	<u><u>\$ 476,058</u></u>

	General Fund	Nonmajor Governmental Funds			Total Nonmajor
		County Debt Service	Solid Waste	All other	
<u>Governmental fund statements</u>					
Fund balances as originally presented	\$ 5,665,216	\$ 137,257	\$ -	\$ 3,090,118	\$ 3,227,375
Correction of an error					
Deferred revenues for emergency medical services were overstated	207,712	-	-	-	-
June motor carrier tax revenues were not accrued	44,223	5,008	-	-	5,008
Change in accounting policy:					
Solid Waste Fund changed fund type from enterprise to special revenue (See above)	-	-	476,058	-	476,058
Net restatements	251,935	5,008	476,058	-	481,066
Fund balances as restated	<u><u>\$ 5,917,151</u></u>	<u><u>\$ 142,265</u></u>	<u><u>\$ 476,058</u></u>	<u><u>\$ 3,090,118</u></u>	<u><u>\$ 3,708,441</u></u>

	Governmental Activities	Business-type Activities
<u>Government-wide</u>		
Net assets as originally presented	\$ 23,879,865	\$ 1,384,932
June motor carrier tax revenues were not accrued	49,231	-
Change in accounting policy		
Solid Waste Fund changed fund type from enterprise to special revenue	1,384,932	(1,384,932)
Prepaid insurance not recorded	170,148	-
Court fines not accrued	35,580	-
Net assets as restated	<u><u>\$ 25,519,756</u></u>	<u><u>\$ -</u></u>

Component unit

	Fire and Rescue Commission	
	Fund Balance	Net Assets
As originally presented	\$ 1,417,764	\$ 461,384
June motor carrier tax revenues were not accrued	8,999	8,999
Prepaid insurance not recorded	-	53,278
As restated	<u><u>\$ 1,426,763</u></u>	<u><u>\$ 523,661</u></u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. 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.

Deposits

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Deposits of the County are subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. Driven by the aforementioned statute, the County's informal policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in demand or time deposits, continuously and fully secured with direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such moneys. 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, 2005, \$434,267 of the County's bank balance of \$26,123,877 was exposed to custodial credit risk because \$4,706 was uninsured and uncollateralized, and \$429,561 was uninsured and collateralized by government investments held by the pledging financial institution's trust department or agent, but not in the County's name.

Investments

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

As of June 30, 2005, the \$3,815,105 investment was in a repurchase agreement held by the counterparty, or its trust department or agent for the County.

As of June 30, 2005, the County had the following investments and maturities:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Repurchase Agreement	\$ 3,815,105	1

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

The County has no investment policy that would further limit its investment choices. As of June 30, 2005, the County's investment in the repurchase agreement was collateralized by securities with a market value of \$6,129,140. Of this amount, \$4,603,522 was unrated and the remaining collateral of \$1,525,588 was rated AAA by Moody's.

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

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. RECEIVABLES

Accounts Receivable

Receivables as of year-end for the County's individual major funds 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	\$ 11,415,631	\$ 1,425,951	\$ 2,447,857	\$ -	\$ -
Accounts	39,534	59,150	2,040,766	-	52,254
Other	121,078	133,544	-	61	47,849
Gross receivables	11,576,243	1,618,645	4,488,623	61	100,103
Less: allowance for uncollectibles					
Taxes	(479,814)	(42,022)	(112,321)	-	-
Accounts	(3,953)	(10,977)	(1,664,915)	-	-
Net receivables	\$ 11,092,476	\$ 1,565,646	\$ 2,711,387	\$ 61	\$ 100,103

D. 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, 2005, the various components of deferred and unearned revenue reported in the governmental funds were as follows:

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 790,427	
Court fines	35,580	
Landfill fees	7,940	
Other	3,850	
Total unavailable	837,797	
Unearned		
Property taxes receivable	11,615,351	\$ 11,615,351
Total unearned	11,615,351	11,615,351
Total deferred revenues, governmental funds	\$ 12,453,148	
Total deferred revenues, government-wide		\$ 11,615,351

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. DEFERRED AND UNEARNED REVENUES (CONTINUED)

Component unit

Fire and Rescue

Unearned		
Real property taxes	\$	<u>2,126,940</u>
Deferred revenue – statement of net assets		2,126,940
Unavailable		
Real property taxes		161,963
Fees for emergency medical services		<u>277,118</u>
Deferred revenue – governmental funds	\$	<u>2,566,021</u>

E. INTERFUND RECEIVABLES AND PAYABLES

The interfund receivables and payables at June 30, 2005, were as follows:

	Receivable Fund	Payable Fund
Major governmental funds		
General	\$ 438,664	\$ 25,742
Economic development and capital improvement	-	225
Special grants	-	174,759
Nonmajor governmental funds	<u>25,743</u>	<u>263,681</u>
Total interfund balances	<u>\$ 464,407</u>	<u>\$ 464,407</u>

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

F. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

	Transfer in	Transfer out
Major governmental funds		
General	\$ 43,052	\$ 3,138,267
Nonmajor governmental funds	<u>3,839,656</u>	<u>744,441</u>
Total	<u>\$ 3,882,708</u>	<u>\$ 3,882,708</u>

Transfers are used (1) to move revenues from the fund that a statute or budget requires to collect them to the fund that a statute or budget requires to expend them, 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.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. CAPITAL ASSETS

Primary government capital asset activity for the year ended June 30, 2005, is as follows:

	July 1, 2004	Restatements	July 1, 2004 As Restated	Increases	Decreases	June 30, 2005
<u>Governmental activities</u>						
Capital assets not being depreciated						
Land	\$ 1,085,864	\$ 157,446	\$ 1,243,310	\$ 39,025	\$ (13,742)	\$ 1,268,593
Land - infrastructure	4,432,819	-	4,432,819	-	-	4,432,819
Construction in progress	856,481	138,989	995,470	126,387	(138,989)	982,868
Total capital assets not being depreciated	6,375,164	296,435	6,671,599	165,412	(152,731)	6,684,280
Capital assets being depreciated						
Buildings and improvements	13,850,688	140,358	13,991,046	103,073	-	14,094,119
Improvements other than buildings	595,454	418,172	1,013,626	231,487	-	1,245,113
Machinery and equipment	1,420,319	191,263	1,611,582	1,269,222	(8,649)	2,872,155
Heavy vehicles and equipment	1,925,317	1,192,131	3,117,448	1,127,670	(485,711)	3,759,407
Vehicles	3,130,071	71,892	3,201,963	153,319	(454,020)	2,901,262
Infrastructure	6,248,200	-	6,248,200	-	-	6,248,200
Total assets being depreciated	27,170,049	2,013,816	29,183,865	2,884,771	(948,380)	31,120,256
Accumulated depreciation						
Buildings and improvements	(2,078,058)	(59,803)	(2,137,861)	(331,799)	-	(2,469,660)
Improvements other than buildings	(337,693)	(294,617)	(632,310)	(151,915)	-	(784,225)
Machinery and equipment	(317,537)	(170,481)	(488,018)	(316,275)	4,123	(800,170)
Heavy vehicles and equipment	(1,237,566)	(562,535)	(1,800,101)	(169,262)	87,000	(1,882,363)
Vehicles	(2,242,243)	(65,012)	(2,307,255)	(506,286)	442,705	(2,370,836)
Infrastructure	(989,324)	-	(989,324)	(312,410)	-	(1,301,734)
Total accumulated depreciation	(7,202,421)	(1,152,448)	(8,354,869)	(1,787,947)	533,828	(9,608,988)
Total capital assets being depreciated, net	19,967,628	861,368	20,828,996	1,096,824	(414,552)	21,511,268
Governmental activities capital assets, net	\$ 26,342,792	\$ 1,157,803	\$ 27,500,595	\$ 1,262,236	\$ (567,283)	\$ 28,195,548

Capital assets and related depreciation in the governmental activities were restated to record assets and the related accumulated depreciation for Solid Waste Fund assets that were previously reported in an enterprise fund in prior years. See Note III. A.

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

Governmental activities:	
General government	\$ 288,251
Judicial	68,249
Public safety	638,142
Streets and highways	490,293
Sanitation	192,982
Recreation and culture	15,347
Health and human services	94,683
Total governmental activity depreciation	<u>\$ 1,787,947</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. CAPITAL ASSETS (CONTINUED)

Component units

Activity for the year ended June 30, 2005, is as follows:

	July 1, 2004	Increases	Decreases	June 30, 2005
<u>Fire and Rescue Commission</u>				
Capital assets not being depreciated				
Land	\$ 196,179	\$ 11,216	\$ -	\$ 207,395
Construction in progress	10,400	45,644	-	56,044
Total capital assets not being depreciated	<u>206,579</u>	<u>56,860</u>	<u>-</u>	<u>263,439</u>
Capital assets being depreciated				
Buildings and improvements	2,676,280	187,400	-	2,863,680
Improvements other than buildings	50,840	8,950	-	59,790
Machinery and equipment	50,969	37,064	-	88,033
Heavy vehicles and equipment	6,445,807	286,687	-	6,732,494
Vehicles	254,850	47,394	-	302,244
Total capital assets being depreciated	<u>9,478,746</u>	<u>567,495</u>	<u>-</u>	<u>10,046,241</u>
Total capital assets	<u>9,685,325</u>	<u>624,355</u>	<u>-</u>	<u>10,309,680</u>
Accumulated depreciation				
Buildings and improvements	(294,548)	(58,949)	-	(353,497)
Improvements other than buildings	(41,126)	(1,541)	-	(42,667)
Machinery and equipment	(40,034)	(10,055)	-	(50,089)
Heavy vehicles and equipment	(2,548,114)	(588,471)	-	(3,136,585)
Vehicles	(187,116)	(22,769)	-	(209,885)
Total accumulated depreciation	<u>(3,110,938)</u>	<u>(681,785)</u>	<u>-</u>	<u>(3,792,723)</u>
Total capital assets being depreciated, net	<u>6,367,808</u>	<u>(114,290)</u>	<u>-</u>	<u>6,253,518</u>
Governmental activities capital assets, net	<u>\$ 6,574,387</u>	<u>\$ (57,430)</u>	<u>\$ -</u>	<u>\$ 6,516,957</u>
<u>Library</u>				
Capital assets being depreciated				
Buildings and improvements	\$ 119,026	\$ 12,749	\$ -	\$ 131,775
Library materials	1,254,107	139,888	(28,132)	1,365,863
Machinery and equipment	55,572	-	-	55,572
Heavy vehicles and equipment	62,736	-	-	62,736
Vehicles	14,190	-	-	14,190
Total capital assets being depreciated	<u>1,505,631</u>	<u>152,637</u>	<u>(28,132)</u>	<u>1,630,136</u>
Total capital assets	<u>1,505,631</u>	<u>152,637</u>	<u>(28,132)</u>	<u>1,630,136</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. CAPITAL ASSETS (CONTINUED)

	July 1, 2004	Increases	Decreases	June 30, 2005
<u>Library (Continued)</u>				
Accumulated depreciation				
Buildings and improvements	\$ (57,556)	\$ (12,880)	\$ -	\$ (70,436)
Library materials	(1,026,253)	(92,352)	28,132	(1,090,473)
Machinery and equipment	(30,895)	(9,882)	-	(40,777)
Heavy vehicles and equipment	(47,903)	(6,274)	-	(54,177)
Vehicles	(14,190)	-	-	(14,190)
Total accumulated depreciation	<u>(1,176,797)</u>	<u>(121,388)</u>	<u>28,132</u>	<u>(1,270,053)</u>
Total capital assets being depreciated, net	<u>328,834</u>	<u>31,249</u>	<u>-</u>	<u>360,083</u>
Governmental activities capital assets, net	<u>\$ 328,834</u>	<u>\$ 31,249</u>	<u>\$ -</u>	<u>\$ 360,083</u>
<u>Alcohol and Drug</u>				
Capital assets being depreciated				
Vehicles	\$ 62,062	\$ -	\$ -	\$ 62,062
Accumulated depreciation				
Vehicles	<u>(50,636)</u>	<u>(5,185)</u>	<u>-</u>	<u>(55,821)</u>
Governmental activities capital assets, net	<u>\$ 11,426</u>	<u>\$ (5,185)</u>	<u>\$ -</u>	<u>\$ 6,241</u>

Depreciation expense incurred by the component units during the year ended June 30, 2005, was as follows:

Fire and Rescue	\$ 681,785
Library	\$ 121,388
Alcohol and Drug Abuse	\$ 5,185

H. 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 \$2,700,000 on June 19, 2003, of which the proceeds of these issues are to be used for the defrayment of a portion of the costs of acquiring the infrastructure for, and the development of, the joint-county industrial/business park. Repayment of the bonds is to be funded solely through fees in lieu of taxes equal to the ad valorem property taxes on the property located within the park. No recourse shall be had for the payment of these bonds or the interest thereon against the general fund of the County. The full faith, credit and taxing powers of the County are not pledged to the payment of the principal of, or interest on, these bonds.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. LONG-TERM DEBT (CONTINUED)

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

Capital Lease Obligations – The County uses notes and leases to finance the purchase of various equipment. Repayment is budgeted in the Capital Improvement Fund.

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.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2005, is as follows:

	July 1, 2004	Additions	Reductions	June 30, 2005	Due within one year
Primary government					
<u>Governmental activities</u>					
Bonds					
General obligation	\$ 6,449,985	\$ -	\$ (764,459)	\$ 5,685,526	\$ 800,083
Special source revenue	4,554,639	-	(415,128)	4,139,511	434,857
Capital leases	2,749,341	898,000	(671,909)	2,975,432	729,239
Note payable	3,442,102	-	(202,968)	3,239,134	202,968
Claims and judgments	67,000	-	-	67,000	-
Landfill closure and postclosure costs	32,780	120,134	-	152,914	-
Compensated absences	316,235	220,290	(222,430)	314,095	42,406
Total long-term liabilities	<u>\$ 17,612,082</u>	<u>\$ 1,238,424</u>	<u>\$ (2,276,894)</u>	<u>\$ 16,573,612</u>	<u>\$ 2,209,553</u>
Component units					
<u>Fire and Rescue</u>					
General obligation bonds	\$ 7,662,558	\$ -	\$ (752,074)	\$ 6,910,484	\$ 818,929
Compensated absences	46,730	108,814	(55,026)	100,518	13,571
Total Fire and Rescue long-term debt	<u>\$ 7,709,288</u>	<u>\$ 108,814</u>	<u>\$ (807,100)</u>	<u>\$ 7,011,002</u>	<u>\$ 832,500</u>
<u>Library</u>					
Compensated absences	<u>\$ 12,091</u>	<u>\$ 8,408</u>	<u>\$ (6,581)</u>	<u>\$ 13,918</u>	<u>\$ 1,879</u>
<u>Alcohol and Drug</u>					
Compensated absences	<u>\$ 13,371</u>	<u>\$ 19,365</u>	<u>\$ (18,746)</u>	<u>\$ 13,990</u>	<u>\$ 6,421</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. LONG-TERM DEBT (CONTINUED)

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, 2005, 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, 2005.

General Obligation Bonds

Primary Government

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
January 1, 1994	General Obligation Bonds, Series 1994, 4.8% to 6.5% annual interest, semi-annual principal and interest payments, beginning in 1995, matures 2009	\$ 5,000,000	\$ 1,660,000
March 1, 1998	General Obligation Bonds, Series 1998, 3.95% to 5.95% annual interest, semi-annual principal and interest payments, beginning in 1999, matures 2014	3,800,000	2,615,000
May 1, 2002	General Obligation Bonds, Series 2002, 4.8% annual interest, annual principal and interest payments, beginning in 2003, matures 2012	<u>1,900,000</u>	<u>1,410,526</u>
	Total General Obligation Bonds	<u>\$ 10,700,000</u>	<u>\$ 5,685,526</u>

Annual requirements to amortize primary government general long-term debt outstanding at June 30, 2005, excluding notes payable and accrued absences are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 800,083	\$ 266,779	\$ 1,066,862
2007	833,487	228,423	1,061,910
2008	877,295	187,945	1,065,240
2009	916,525	144,810	1,061,335
2010	501,198	99,222	600,420
2011-2014	<u>1,756,938</u>	<u>176,960</u>	<u>1,933,898</u>
Total General Obligation Bonds	<u>\$ 5,685,526</u>	<u>\$ 1,104,139</u>	<u>\$ 6,789,665</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

Component Unit

Fire and Rescue General Obligation Bonds payable at June 30, 2005, consist of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
May 1, 2002	Fire Protection Service General Obligation Bonds Series 2002A, 4.75% annual interest, annual principal and interest payments beginning in 2003, matures 2012	\$ 4,000,000	\$ 2,960,484
September 1, 2002	Fire Protection Service General Obligation Bonds Series 2002B, 3.21% annual interest, annual principal and interest payments beginning in 2003, matures 2010	2,400,000	1,825,000
October 15, 2003	Fire Protection Service General Obligation Bonds Series 2003, 3.0202% annual interest, annual principal and interest payments beginning in 2004, matures 2013	<u>2,500,000</u>	<u>2,125,000</u>
	Total Fire Protection Service Bonds	<u>\$ 8,900,000</u>	<u>\$ 6,910,484</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 818,929	\$ 260,523	\$ 1,079,452
2007	836,454	230,624	1,067,078
2008	904,810	199,893	1,104,703
2009	924,039	166,914	1,090,953
2010	994,181	132,396	1,126,577
2011-2013	<u>2,432,071</u>	<u>159,623</u>	<u>2,591,694</u>
Total Fire Protection Service Bonds	<u>\$ 6,910,484</u>	<u>\$ 1,149,973</u>	<u>\$ 8,060,457</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. LONG-TERM DEBT (CONTINUED)

Special Source Revenue Bonds

Primary Government

Primary Government Special Source Revenue Bonds payable at June 30, 2005, consist of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
June 19, 2003	Special Source Revenue Bond Series 2003A, 6.11% annual interest, annual principal and interest payments beginning in 2004, all outstanding principal and interest due in 2010	\$ 2,300,000	\$ 1,921,205
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>2,218,306</u>
	Total Revenue Bonds	<u>\$ 5,000,000</u>	<u>\$ 4,139,511</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 434,857	\$ 200,877	\$ 635,734
2007	455,698	180,036	635,734
2008	477,606	158,129	635,735
2009	500,637	135,097	635,734
2010	1,362,805	110,881	1,473,686
2011-2013	<u>907,908</u>	<u>67,820</u>	<u>975,728</u>
Total Revenue Bonds	<u>\$ 4,139,511</u>	<u>\$ 852,840</u>	<u>\$ 4,992,351</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. LONG-TERM DEBT (CONTINUED)

Note Payable

Primary Government

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
January 31, 2001	Enterprise financing agreement, 6.0% semiannual interest, semiannual principal and interest payments beginning in 2002, matures 2012	<u>\$ 3,900,000</u>	<u>\$ 3,239,134</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 202,968	\$ 191,166	\$ 394,134
2007	228,442	178,052	406,494
2008	242,354	164,140	406,494
2009	257,114	149,381	406,495
2010	272,772	133,723	406,495
2011-2012	<u>2,035,484</u>	<u>169,123</u>	<u>2,204,607</u>
Total Notes	<u>\$ 3,239,134</u>	<u>\$ 985,585</u>	<u>\$ 4,224,719</u>

Capital Leases Payable

Primary Government

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

The assets acquired through capital leases are as follows:

Building	\$ 1,581,515
Equipment	<u>1,563,070</u>
Subtotal	3,144,585
Less accumulated depreciation	<u>(317,240)</u>
	<u>\$ 2,827,345</u>

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. LONG-TERM DEBT (CONTINUED)

The remaining lease payments as of June 30, 2005, are as follows:

Year Ending June 30,	Amount
2006	\$ 837,161
2007	775,785
2008	690,026
2009	119,515
2010	119,515
2011-2015	597,577
2016-2018	358,547
Total minimum lease payments	3,498,126
Less amount representing interest	(522,694)
Present value of capital lease payments	\$ 2,975,432

Total interest paid on the equipment and building and improvements obligations for the year ended June 30, 2005, was approximately \$116,840.

Conduit Debt

From time to time, the County issues industrial development revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Additionally, not-for-profit entities which provide fire protection within the County occasionally borrow funds to purchase equipment. The banks require the County's authorization of the borrowing although the loans and the related assets belong to the not-for-profit entities. The County is not obligated in any manner for repayment of the bonds and notes. Accordingly, the bonds and notes are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, there were an undetermined number of industrial revenue bonds and notes outstanding and the principal payable at June 30, 2005, could not be determined.

Landfill Closure and Postclosure Care Costs

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

The \$152,914 reported as an accrual for landfill closure and postclosure care at June 30, 2005, includes the cumulative amount reported less amounts paid to date for the open site, based on the following information:

Estimated Remaining Landfill Life	Percentage Balance Of Capacity Used	Estimated Total Costs			Remaining To Be Recognized
		Closure	Postclosure	Total	
30 years	20.2%	\$ 688,000	\$ 69,000	\$ 757,000	\$ 604,086

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2005. Actual cost may be higher due to inflation, changes in technology or changes in regulations. Council has designated \$20,232 for payment of closure and post-closure care costs.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. PENDING GASB STATEMENTS

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Revenues*, which is effective for the County's year ending June 30, 2006. The effects of implementation of GASB Statement No. 42 on the financial statements have not been determined.

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is effective for the County's year ending June 30, 2008. The effects of implementation of GASB Statement No. 45 on the financial statements have not been determined.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation, an amendment of GASB Statement No. 34*, which is effective for the County's year ending June 30, 2006. The effects of implementation of GASB Statement No. 46 on the financial statements have not been determined.

In July 2004, the GASB issued Statement No. 47, *Accounting for Termination Benefits*, which is effective for the County's year ending June 30, 2006. The effects of implementation of GASB Statement No. 47 on the financial statements have not been determined.

IV. OTHER INFORMATION

A. RISK MANAGEMENT

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

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

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

IV. OTHER INFORMATION (CONTINUED)

B. DEFINED BENEFIT PENSION PLANS

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

Funding Policy - SCRS. Plan members are required to contribute 6.0% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 6.7% of annual covered payroll. The contribution requirements of plan members and employers is established under authority of Title 9 of the S.C. Code of Laws.

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

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, 2005, 2004, and 2003:

	Year Ended June 30,		
	2005	2004	2003
SCRS Contributions			
Primary Government	\$ 325,901	\$ 390,609	\$ 386,070
Fire and Rescue	27,663	4,654	3,807
Library	18,964	18,646	18,090
Alcohol and Drug	27,341	27,757	28,501
Total SCRS	<u>\$ 399,869</u>	<u>\$ 441,666</u>	<u>\$ 436,468</u>
SCPORS Contributions			
Primary Government	\$ 277,330	\$ 362,165	\$ 305,153
Fire and Rescue	216,050	69,323	48,182
Total SCPORS	<u>\$ 493,380</u>	<u>\$ 431,488</u>	<u>\$ 353,335</u>

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

C. DEFERRED COMPENSATION PLAN

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

IV. OTHER INFORMATION (CONTINUED)

C. DEFERRED COMPENSATION PLAN (CONTINUED)

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

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

D. CONTINGENT LIABILITIES

Grants. Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the general fund or other applicable funds.

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

E. RELATED PARTY

The County pays rent on a monthly basis to elected magistrates for use of the magistrates' homes as an office. The total amount of rent paid during the year ended June 30, 2005, was \$6,050.

F. COMMITMENTS

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

In addition to the related party lease (Note IV. E.), the County is obligated under agreements with various parties for the rental of facilities and equipment. Rental expense associated with the leases for the year ended June 30, 2005, is \$254,571.

Future minimum rental payments required over the next five years under the noncancellable operating leases having a remaining term in excess of one year at June 30, 2005, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2006	\$ 267,115
2007	99,566
2008	38,914
2009	27,052
2010	<u>25,405</u>
	<u>\$ 458,052</u>

Construction Commitments - At June 30, 2005, the County had commitments under contracts for construction of various projects not completed of approximately \$133,320.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

IV. OTHER INFORMATION (CONTINUED)

G. PROPERTY TAXES

The County is permitted under South Carolina law to levy property taxes for general governmental services and payment of principal and interest on long-term debt. The County tax rate to finance general governmental services for the year ended June 30, 2005, was set by County Council at 96.1mills (\$96.10 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 12.5 mills for debt retirement, 87.8 mills for School District general operating, 7.8 mills for School District indebtedness, 22.7 mills for fire protection, and 13.3 mills for fire debt. The assessed valuation of properties, exclusive of vehicles (valued at \$16,389,120), within the County's boundaries as of December 31, 2004, was \$101,897,368, according to the records of the County Auditor and Assessor.

H. OTHER POSTEMPLOYMENT BENEFITS

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

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

The County's regular insurance providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. There were three eligible participants, and post-retirement healthcare expense was \$12,616 for the year ended June 30, 2005.

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

I. SUBSEQUENT EVENTS

Subsequent to June 30, 2005, the following material events were approved by County Council:

- In September 2005 the County entered into a capital lease agreement in the amount of \$660,000, bearing interest at 2.95%, the proceeds to be used to purchase vehicles and equipment.
- In October 2005 County Council approved the issuance of \$2,400,000 Fire Protection Service General Obligation Bonds, Series 2005, the proceeds to be used for construction and renovation of fire stations.
- In October 2005 County Council approved the issuance of \$6,500,000 General Obligation Bonds, Series 2005, the proceeds to be used for the renovation of the County Courthouse.
- Effective July 2005, the Retirement Division of the State Budget and Control Board increased the employers' required contribution for the South Carolina Retirement System from 6.7% to 7.55% of annual covered payroll.

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

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts			Variance with final budget positive (negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 14,480,760	\$ 14,480,760	\$ 15,754,161	\$ 1,273,401
Licenses and permits	114,500	114,500	128,422	13,922
Intergovernmental revenues	1,949,206	1,949,206	2,131,347	182,141
Fines and fees	1,003,690	1,003,690	1,260,685	256,995
Interest income	40,000	40,000	139,883	99,883
Other Income	4,000	4,000	20,264	16,264
Total revenues	17,592,156	17,592,156	19,434,762	1,842,606
Expenditures				
Current				
General government	5,478,105	5,425,586	5,218,969	206,617
Judicial	1,189,048	1,188,883	1,165,952	22,931
Public safety	6,418,045	6,548,509	6,841,796	(293,287)
Streets and highways	80,802	81,025	74,812	6,213
Recreation and culture	723,148	719,648	703,643	16,005
Health and human services	455,901	504,928	503,555	1,373
Economic development	193,308	193,308	208,475	(15,167)
Intergovernmental	465,600	465,600	465,600	-
Debt service				
Principal retirement	610,504	610,504	610,490	14
Interest and fiscal charges	71,126	71,126	58,744	12,382
Total expenditures	15,685,587	15,809,117	15,852,036	(42,919)
Excess (deficiency) of revenues over (under) expenditures	1,906,569	1,783,039	3,582,726	1,799,687
Other financing sources (uses)				
Sale of capital assets	20,000	49,552	29,588	(19,964)
Debt proceeds	-	-	898,000	898,000
Transfers in	-	40,000	43,052	3,052
Transfers out	(2,198,858)	(2,210,917)	(3,138,267)	(927,350)
Total other financing sources (uses)	(2,178,858)	(2,121,365)	(2,167,627)	(46,262)
Excess (deficiency) before special items	(272,289)	(338,326)	1,415,099	1,753,425
Special item				
Assignment of emergency medical services to Fire and Rescue Component Unit	-	-	(123,751)	(123,751)
Net changes in fund balance	(272,289)	(338,326)	1,291,348	1,629,674
Fund balances				
Beginning of year, as restated	5,917,151	5,917,151	5,917,151	-
End of year	\$ 5,644,862	\$ 5,578,825	\$ 7,208,499	\$ 1,629,674

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

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
YEAR ENDED JUNE 30, 2005**

Annual budgets are adopted for the General Fund on the modified accrual basis with the exception of delinquent property taxes, which are adopted on the cash basis. During the year ended June 30, 2005, delinquent tax cash basis revenues were substantially the same as the modified accrual basis. Therefore, no adjustment has been made to the presentation of actual tax revenues.

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

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

Budgets, as reported in the accompanying schedules, are as originally passed by ordinance and subsequently amended. During the year, supplementary appropriations were necessary. The budget amendments included increases and decreases within individual departments, the planned use of fund balance for various expenditures and increases in transfers to other funds. Supplementary appropriations in the General Fund amounted to \$66,037, which was funded from fund balance.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue				
	Sheriff's Incentives	State Grant	Clerk of Court Unit Costs	Clerk of Court Incentives	Victims Witness Services
Assets					
Cash and investments	\$ 530	\$ 33,774	\$ 24,095	\$ 39,868	\$ 24,018
Receivables, net of allowances					
Property taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	25,743	-
Due from component units	-	-	-	-	-
Due from other governments	2,030	-	7,810	2,394	7,126
Temporarily restricted					
Cash and investments	-	-	-	-	-
Total assets	<u>\$ 2,560</u>	<u>\$ 33,774</u>	<u>\$ 31,905</u>	<u>\$ 68,005</u>	<u>\$ 31,144</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,675	\$ -	\$ 1,379	\$ -	\$ -
Due to other funds	885	-	30,526	-	2,154
Deferred revenues	-	-	-	68,005	1,525
Total liabilities	<u>2,560</u>	<u>-</u>	<u>31,905</u>	<u>68,005</u>	<u>3,679</u>
Fund Balances (Deficit)					
Reserved for					
Encumbrances	-	-	-	-	-
Capital Projects	-	-	-	-	-
Unreserved					
Designated for:					
Landfill closure	-	-	-	-	-
Undesignated, reported in					
Special revenue funds	-	33,774	-	-	27,465
Capital projects funds	-	-	-	-	-
Debt service	-	-	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>33,774</u>	<u>-</u>	<u>-</u>	<u>27,465</u>
Total liabilities and fund balances	<u>\$ 2,560</u>	<u>\$ 33,774</u>	<u>\$ 31,905</u>	<u>\$ 68,005</u>	<u>\$ 31,144</u>

Special Revenue						
Animal Care and Control	Emergency Telephone	Promotion of Tourism Board	Special Project Tourism Board	County Promotion of Tourism Hospitality Tax	County Accommo- dations Tax	Public Defender
\$ 25,411	\$ 99,660	\$ 65	\$ 4,478	\$ 710,478	\$ 409,518	\$ 23,479
-	-	-	-	-	-	-
-	-	-	-	-	-	-
68	-	-	-	68,188	65,288	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	40,898	24,979	54,120	-	-	-
-	-	-	-	-	-	-
<u>\$ 25,479</u>	<u>\$ 140,558</u>	<u>\$ 25,044</u>	<u>\$ 58,598</u>	<u>\$ 778,666</u>	<u>\$ 474,806</u>	<u>\$ 23,479</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
900	7,771	24,979	978	24	4,876	12,667
-	-	-	-	-	-	-
<u>900</u>	<u>7,771</u>	<u>24,979</u>	<u>978</u>	<u>24</u>	<u>4,876</u>	<u>12,667</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
24,579	132,787	65	57,620	778,642	469,930	10,812
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>24,579</u>	<u>132,787</u>	<u>65</u>	<u>57,620</u>	<u>778,642</u>	<u>469,930</u>	<u>10,812</u>
<u>\$ 25,479</u>	<u>\$ 140,558</u>	<u>\$ 25,044</u>	<u>\$ 58,598</u>	<u>\$ 778,666</u>	<u>\$ 474,806</u>	<u>\$ 23,479</u>

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue			
	Roads and Bridges	Solid Waste	Program Income Projects	Sheriff's Federal Asset
Assets				
Cash and investments	\$ 536,088	\$ 696,436	\$ 260	\$ 22,566
Receivables, net of allowances				
Property taxes	-	-	-	-
Accounts	-	48,173	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Due from component units	5,892	-	-	-
Due from other governments	-	7,814	-	-
Temporarily restricted				
Cash and investments	-	-	-	-
Total assets	\$ 541,980	\$ 752,423	\$ 260	\$ 22,566
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,300	\$ -	\$ -	\$ 338,626
Due to other funds	56,974	84,056	-	-
Deferred revenues	-	7,940	-	-
Total liabilities	58,274	91,996	-	338,626
Fund Balances (Deficit)				
Reserved for				
Encumbrances	-	-	-	-
Capital Projects	-	-	-	-
Unreserved				
Designated for				
Landfill closure	-	20,232	-	-
Undesignated, reported in				
Special revenue funds	483,706	640,195	260	(316,060)
Capital projects funds	-	-	-	-
Debt service	-	-	-	-
Total fund balances (deficit)	483,706	660,427	260	(316,060)
Total liabilities and fund balances	\$ 541,980	\$ 752,423	\$ 260	\$ 22,566

(continued)

Capital Projects			Debt Service			Total Nonmajor Governmental Funds
Industrial Development	Government Bond 2002	SSRB Economic Development	County Debt Service	SSRB Canadays	Non GOB Debt Service	
\$ 393,367	\$ -	\$ -	\$ 431,182	\$ 211	\$ 20	\$ 3,475,504
-	-	-	1,383,929	-	-	1,383,929
-	-	-	-	-	-	48,173
-	-	-	-	-	-	133,544
-	-	-	-	-	-	25,743
-	-	-	-	-	-	5,892
-	-	-	4,841	-	-	152,012
-	345,907	337,661	-	-	-	683,568
<u>\$ 393,367</u>	<u>\$ 345,907</u>	<u>\$ 337,661</u>	<u>\$ 1,819,952</u>	<u>\$ 211</u>	<u>\$ 20</u>	<u>\$ 5,908,365</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 342,980
3,000	1,812	-	32,079	-	-	263,681
-	-	-	1,369,232	-	-	1,446,702
<u>3,000</u>	<u>1,812</u>	<u>-</u>	<u>1,401,311</u>	<u>-</u>	<u>-</u>	<u>2,053,363</u>
80,000	21,145	-	-	-	-	101,145
-	322,950	337,661	-	-	-	660,611
-	-	-	-	-	-	20,232
-	-	-	-	-	-	2,343,775
310,367	-	-	-	-	-	310,367
-	-	-	418,641	211	20	418,872
<u>390,367</u>	<u>344,095</u>	<u>337,661</u>	<u>418,641</u>	<u>211</u>	<u>20</u>	<u>3,855,002</u>
<u>\$ 393,367</u>	<u>\$ 345,907</u>	<u>\$ 337,661</u>	<u>\$ 1,819,952</u>	<u>\$ 211</u>	<u>\$ 20</u>	<u>\$ 5,908,365</u>

COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue				
	Sheriff's Incentives	State Grant	Clerk of Court Unit Costs	Clerk of Court Incentives	Victims Witness Services
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	19,833	-	94,487	17,962	-
Fines and fees	-	-	-	-	91,113
Interest income	2	-	14	44	43
Other income	-	-	-	-	-
Total revenues	<u>19,835</u>	<u>-</u>	<u>94,501</u>	<u>18,006</u>	<u>91,156</u>
Expenditures					
Current					
General government	-	-	-	-	-
Judicial	-	-	93,123	18,006	-
Public safety	18,161	-	-	-	82,440
Streets and highways	-	-	-	-	-
Sanitation	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Health and human services	-	-	-	-	-
Economic development	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>18,161</u>	<u>-</u>	<u>93,123</u>	<u>18,006</u>	<u>82,440</u>
Excess (deficiency) of revenues over expenditures	<u>1,674</u>	<u>-</u>	<u>1,378</u>	<u>-</u>	<u>8,716</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(1,674)	-	(1,378)	-	(40,000)
Total other financing sources (uses)	<u>(1,674)</u>	<u>-</u>	<u>(1,378)</u>	<u>-</u>	<u>(40,000)</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,284)</u>
Fund balances (deficit)					
Beginning of year, as restated	<u>-</u>	<u>33,774</u>	<u>-</u>	<u>-</u>	<u>58,749</u>
End of year	<u>\$ -</u>	<u>\$ 33,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,465</u>

Special Revenue						
Animal Care and Control	Emergency Telephone	Promotion of Tourism Board	Special Project Tourism Board	County Promotion of Tourism Hospitality Tax	County Accommodations Tax	Public Defender
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418,793	\$ -
12,812	301,468	50,789	110,043	679,571	-	35,156
33	91	2	50	7,875	473	37
5,973	-	-	-	-	25	-
<u>18,818</u>	<u>301,559</u>	<u>50,791</u>	<u>110,093</u>	<u>687,446</u>	<u>419,291</u>	<u>35,193</u>
-	-	-	-	-	-	-
18,004	274,814	-	-	-	-	254,442
-	-	-	-	-	-	-
-	-	50,789	115,600	18,000	58,792	-
-	-	-	-	18,131	-	-
-	-	-	-	215,000	181,915	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>18,004</u>	<u>274,814</u>	<u>50,789</u>	<u>115,600</u>	<u>251,131</u>	<u>240,707</u>	<u>254,442</u>
814	26,745	2	(5,507)	436,315	178,584	(219,249)
-	-	-	-	-	-	-
-	-	-	-	-	-	230,061
-	-	-	-	(406,494)	(119,515)	-
-	-	-	-	(406,494)	(119,515)	230,061
814	26,745	2	(5,507)	29,821	59,069	10,812
23,765	106,042	63	63,127	748,821	410,861	-
<u>\$ 24,579</u>	<u>\$ 132,787</u>	<u>\$ 65</u>	<u>\$ 57,620</u>	<u>\$ 778,642</u>	<u>\$ 469,930</u>	<u>\$ 10,812</u>

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue			
	Roads and Bridges	Solid Waste	Program Income Projects	Sheriff's Federal Asset
Revenues				
Taxes	\$ 833,152	\$ -	\$ -	\$ -
Intergovernmental revenues	-	40,031	-	226,109
Fees and service charges	-	396,308	-	-
Interest income	587	1,076	-	661
Other income	10,647	30	-	22,783
Total revenues	<u>844,386</u>	<u>437,445</u>	<u>-</u>	<u>249,553</u>
Expenditures				
Current				
General government	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	790,976
Roads and drainage	2,000,468	-	-	-
Sanitation	-	1,854,391	-	-
Recreation and culture	-	-	-	-
Health and human services	-	-	2,265	-
Economic development	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>2,000,468</u>	<u>1,854,391</u>	<u>2,265</u>	<u>790,976</u>
Excess (deficiency) of revenues over expenditures	<u>(1,156,082)</u>	<u>(1,416,946)</u>	<u>(2,265)</u>	<u>(541,423)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	10,120	-	-	28,575
Transfers in	1,306,890	1,601,315	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,317,010</u>	<u>1,601,315</u>	<u>-</u>	<u>28,575</u>
Net changes in fund balances	160,928	184,369	(2,265)	(512,848)
Fund balances (deficit)				
Beginning of year	<u>322,778</u>	<u>476,058</u>	<u>2,525</u>	<u>196,788</u>
End of year	<u>\$ 483,706</u>	<u>\$ 660,427</u>	<u>\$ 260</u>	<u>\$ (316,060)</u>

(continued)

Capital Projects			Debt Service			Total Nonmajor Governmental Funds
Industrial Development	Government Bond 2002	SSRB Economic Development	County Debt Service	SSRB Canadays	Non GOB Debt Service	
\$ 118,129	\$ -	\$ -	\$ 1,218,381	\$ 811,147	\$ -	\$ 3,399,602
-	-	-	-	-	-	1,273,981
1,735	-	-	-	-	-	803,436
-	520	268	520	91	20	12,407
-	-	-	-	-	-	39,458
<u>119,864</u>	<u>520</u>	<u>268</u>	<u>1,218,901</u>	<u>811,238</u>	<u>20</u>	<u>5,528,884</u>
-	-	-	2,364	-	-	2,364
-	-	-	-	-	-	365,571
-	-	-	-	-	-	1,184,395
-	-	-	-	-	-	2,000,468
-	-	-	-	-	-	1,854,391
-	-	-	-	-	-	243,181
-	-	-	-	-	-	2,265
46,456	2,750	-	-	-	-	67,337
-	-	-	-	-	-	396,915
35,000	132,078	-	-	-	-	167,078
-	-	-	764,459	415,128	264,388	1,443,975
-	-	-	306,034	220,637	261,622	788,293
<u>81,456</u>	<u>134,828</u>	<u>-</u>	<u>1,072,857</u>	<u>635,765</u>	<u>526,010</u>	<u>8,516,233</u>
<u>38,408</u>	<u>(134,308)</u>	<u>268</u>	<u>146,044</u>	<u>175,473</u>	<u>(525,990)</u>	<u>(2,987,349)</u>
-	-	-	-	-	-	38,695
-	-	175,380	-	-	526,010	3,839,656
-	-	-	-	(175,380)	-	(744,441)
-	-	175,380	-	(175,380)	526,010	3,133,910
38,408	(134,308)	175,648	146,044	93	20	146,561
351,959	478,403	162,013	272,597	118	-	3,708,441
<u>\$ 390,367</u>	<u>\$ 344,095</u>	<u>\$ 337,661</u>	<u>\$ 418,641</u>	<u>\$ 211</u>	<u>\$ 20</u>	<u>\$ 3,855,002</u>

COLLETON COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 AGENCY FUNDS
 JUNE 30, 2005

	Sheriff	Watershed	Transportation Committee	Tax Collector	Clerk of Court	Magistrates	Probate Judge	Schools	Total
Assets									
Cash and investments	\$ 71,683	\$ 946	\$ 5,716,386	\$ 260,842	\$ 617,003	\$ 130,997	\$ 35,175	\$ 6,511,091	\$ 13,344,123
Accounts receivable	55,333	-	-	-	-	-	-	197,407	252,740
Total assets	\$ 127,016	\$ 946	\$ 5,716,386	\$ 260,842	\$ 617,003	\$ 130,997	\$ 35,175	\$ 6,708,498	\$ 13,596,863
Liabilities									
Assets held for others	\$ 127,016	\$ 946	\$ 5,716,386	\$ 260,842	\$ 617,003	\$ 130,997	\$ 35,175	\$ 6,708,498	\$ 13,596,863
Total liabilities	\$ 127,016	\$ 946	\$ 5,716,386	\$ 260,842	\$ 617,003	\$ 130,997	\$ 35,175	\$ 6,708,498	\$ 13,596,863

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNIT
COLLETON COUNTY FIRE AND RESCUE COMMISSION
BALANCE SHEET
JUNE 30, 2005**

	General	Debt Service	Total
Assets			
Cash and investments	\$ 513,042	\$ -	\$ 513,042
Temporarily restricted			
Receivables, net of allowances			
Property taxes	1,486,208	849,328	2,335,536
Accounts	375,851	-	375,851
Due from other governments	22,666	4,191	26,857
Due from primary government	-	16,475	16,475
Cash and investments	137,256	293,385	430,641
Total assets	\$ 2,535,023	\$ 1,163,379	\$ 3,698,402
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 71	\$ -	\$ 71
Due to primary government	229,145	-	229,145
Deferred revenues	1,732,700	833,321	2,566,021
Total liabilities	1,961,916	833,321	2,795,237
Fund Balances			
Reserved for capital projects	137,256	-	137,256
Undesignated, reported in			
General fund	435,851	-	435,851
Debt service	-	330,058	330,058
Total fund balances	573,107	330,058	903,165
Total liabilities and fund balances	\$ 2,535,023	\$ 1,163,379	

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

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$10,309,680, and the accumulated depreciation is \$3,792,723.	6,516,957
Disbursements for insurance policies reflected in the funds cover periods extending beyond year-end.	67,686
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	\$ (6,910,484)
Accrued interest	(96,085)
Compensated absences payable	(100,518)
	(7,107,087)
Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds:	
Property taxes	\$ 161,963
Fees for emergency medical services	277,118
	439,081
Net assets of governmental activities	\$ 819,802

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNIT
COLLETON COUNTY FIRE AND RESCUE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2005**

	General	Debt Service	Total
Revenues			
Taxes	\$ 1,986,579	\$ 1,067,458	\$ 3,054,037
Intergovernmental revenues	1,486,268	-	1,486,268
Fines and fees	575,684	-	575,684
Donations	6,500	-	6,500
Interest income	1,900	428	2,328
Other income	2,045	-	2,045
Total revenues	<u>4,058,976</u>	<u>1,067,886</u>	<u>5,126,862</u>
Expenditures			
Current			
Public safety	4,489,484	-	4,489,484
Capital outlay	244,260	-	244,260
Debt service			
Principal retirement	-	752,073	752,073
Interest and fiscal charges	-	288,394	288,394
Total expenditures	<u>4,733,744</u>	<u>1,040,467</u>	<u>5,774,211</u>
Excess (deficiency) of revenues over (under) expenditures	(674,768)	27,419	(647,349)
Special item			
Assignment of emergency medical services to Fire and Rescue Component Unit	123,751	-	123,751
Net changes in fund balance	(551,017)	27,419	(523,598)
Fund balances			
Beginning of year, as restated	1,124,124	302,639	1,426,763
End of year	<u>\$ 573,107</u>	<u>\$ 330,058</u>	<u>\$ 903,165</u>

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNIT
COLLETON COUNTY FIRE AND RESCUE COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ (523,598)

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

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

Capital outlay	\$ 237,944	
Depreciation expense	<u>(681,785)</u>	(443,841)

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.	14,408
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Expense reported in the statement of activities for compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(17,105)
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------

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

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

Property taxes	\$ (274,452)	
Fees for emergency medical services	(337,231)	

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

Property taxes	161,963	
Fees for emergency medical services	<u>277,118</u>	(172,602)

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

Principal repayments	752,073
----------------------	---------

The customer receivable balances transferred from the County (primary government) to the Fire and Rescue Commission (component unit) and reported as a special item are recorded in the fund statements net of amounts not meeting the prior year availability criteria.	337,231
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In the statement of activities, revenue from assets contributed to the Commission by the primary government is reported. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements.	386,411
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Compensated absences transferred from the County to the Fire and Rescue Commission are included in the special item recorded on the statement of activities.	<u>(36,836)</u>
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Change in net assets of governmental activities	<u><u>\$ 296,141</u></u>
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**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNIT
COLLETON COUNTY MEMORIAL LIBRARY
BALANCE SHEET
JUNE 30, 2005**

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 42,010	\$ 46	\$ 42,056
Receivables	61	-	61
Due from other governments	2,187	-	2,187
Due from primary government	-	68	68
Total assets	\$ 44,258	\$ 114	\$ 44,372
Liabilities and Fund Balances			
Liabilities			
Due to primary government	\$ 25,021	\$ -	\$ 25,021
Deferred revenues	8,930	-	8,930
Total liabilities	33,951	-	33,951
Fund Balances			
Undesignated, reported in			
General fund	10,307	-	10,307
Special revenue funds	-	114	114
Total fund balances	10,307	114	10,421
Total liabilities and fund balances	\$ 44,258	\$ 114	

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

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$1,630,136 and the accumulated depreciation is \$1,270,053.

360,083

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

4,895

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

(13,918)

Net assets of governmental activities

\$ 361,481

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNIT
COLLETON COUNTY MEMORIAL LIBRARY-
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2005**

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Intergovernmental revenues	\$ 548,118	\$ 40,000	\$ 588,118
Donations	32,555	-	32,555
Interest income	150	12	162
Other income	22,501	-	22,501
Total revenues	<u>603,324</u>	<u>40,012</u>	<u>643,336</u>
Expenditures			
Current			
Recreation and culture	599,442	39,932	639,374
Total expenditures	<u>599,442</u>	<u>39,932</u>	<u>639,374</u>
Net changes in fund balance	3,882	80	3,962
Fund balances			
Beginning of year	6,425	34	
End of year	<u>\$ 10,307</u>	<u>\$ 114</u>	

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

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

Capital outlay	\$ 143,064	
Depreciation expense	<u>(121,388)</u>	21,676

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

9,573

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

(1,827)

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.

4,895

Change in net assets of governmental activities \$ 38,279

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNIT
COLLETON COUNTY MEMORIAL LIBRARY-
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
State lottery funds	\$ 77,658	\$ 77,658	\$ 75,378	\$ (2,280)
County appropriation	442,105	442,105	442,105	-
Other state grants	24,813	89,663	30,635	(59,028)
Fines and fees	-	-	22,501	22,501
Interest income	-	-	150	150
Donations	2,970	30,269	32,555	2,286
Total revenues	547,546	639,695	603,324	(36,371)
Expenditures				
Current				
Personnel costs	378,470	386,229	374,870	11,359
Administrative costs	76,783	76,474	91,687	(15,213)
Programs and materials	92,293	176,992	132,885	44,107
Total expenditures	547,546	639,695	599,442	40,253
Net changes in fund balance	-	-	3,882	3,882
Fund balances				
Beginning of year	6,425	6,425	6,425	-
End of year	\$ 6,425	\$ 6,425	\$ 10,307	\$ 3,882

OTHER FINANCIAL INFORMATION

COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
YEAR ENDED JUNE 30, 2005

Court fines, surcharges and assessments:	
Collected	\$ 2,312,703
Remitted to State Treasurer	<u>(986,122)</u>
Retained by County	<u>\$ 1,326,581</u>
Fines, surcharges and assessments retained by County:	
General fund	\$ 1,235,468
Victims advocate services	<u>91,113</u>
Total surcharges and assessments	<u>\$ 1,326,581</u>
Funds allocated to victims advocate service	
Carryover funds from prior year	\$ 58,749
Interest earned	43
Surcharges and assessments retained	91,113
Expenditures for victims advocate service	<u>(122,440)</u>
Total (over) under expenditure of victims advocate service funds	<u>\$ 27,465</u>

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Page 1 of 2

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-through S.C. Department of Social Services Summer Food Service Program for Children	10.559	SF-134	\$ 120,241
Summer Food Service Program for Children	10.559	SF-134	<u>190,693</u>
Total U.S. Department of Agriculture			<u>310,934</u>
U.S. Department of Housing and Urban Development:			
Passed-through S.C. Department of Commerce Community Development Block Grant	14.228	4-L-00-004	<u>14,250</u>
Total U.S. Department of Housing and Urban Development			<u>14,250</u>
U.S. Department of Justice:			
Direct			
Federal Equitable Sharing Program	16.000	N/A	<u>452,605</u>
Local Law Enforcement Block Grant	16.592	2002-LB-BX-2160	3,615
Local Law Enforcement Block Grant	16.592	2003-LB-BX-1571	<u>48,000</u>
	Total 16.592		<u>51,615</u>
Passed-through S.C. Department of Public Safety State Criminal Alien Assistance Program	16.606	2003-AP-BX-0265	<u>3,208</u>
Total U.S. Department of Justice			<u>507,428</u>
Department of Homeland Security:			
Passed-through S.C. Emergency Management Division Citizen Corps Grant	97.004	#4CC01	<u>17,871</u>
County Emergency Preparedness	97.042	5EMPG01	<u>26,034</u>
Passed-through S.C. Law Enforcement Department County Homeland Security Allocation	97.067	4SHP48	128,840
Law Enforcement Terrorism Prevent Grant	97.067	4LETP20	<u>24,549</u>
	Total 97.067		<u>153,389</u>
Direct			
Assistance to Firefighters	97.044	EMW-2004-FG-19506	16,272
Assistance to Firefighters	97.044	EMW-2003-FG-03525	<u>69,342</u>
	Total 97.044		<u>85,614</u>
Total Department of Homeland Security			<u>282,908</u>

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Page 2 of 2

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed-through S.C. Department of Social Services P.A.R.E.N.T. - Adolescent Pregnancy Prevention Initiatives	93.558	G-40048T	\$ 51,425
Child Support Enforcement IV-D Incentive Payments	93.563	C50015C-1	33,533
Child Support Enforcement IV-D Sheriff's Department	93.563	C50061C-1	19,833
Child Support Enforcement IV-D Family Court	93.563	C50015C-1	94,488
	Total 93.563		147,854
Total U.S. Department of Health and Human Services			199,279
National Foundation of Arts & the Humanities:			
LSTA Project IIA-Countywide Access	45.31	LSTA-IID-04-15	6,539
LSTA Project IIA-Public Library Support	45.31	LSTA-IIB-04-15	15,250
LSTA Project IIA Statewide Staff Development	45.31	IIIA2-03-15	1,045
Total National Foundation of Arts & the Humanities	Total 45.31		22,834
Institute of Museum and Library Services:			
Center for the Book Grant	42.005	Library Of Congress	953
Total Institute of Museum and Library Services			953
Total Expenditures of Federal Awards			\$ 1,338,586

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

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



BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

Certified Public Accountants and Financial Advisors

Martha H. Bryan, CPA
James T. Truesdale, CPA
Ellen K. Adkins, CRA
Betsy M. Williams, CPA, CFP®
Charlotte E. Allen, CPA, CFE

100 South Main Street, Suite G
Post Office Box 1588
Summerville, South Carolina 29484
Tele: 843.873.4400 Fax: 843.873.7227
Toll Free: 800.551.6032
Email: btaw@btaw-cpas.com

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Colleton County, South Carolina**, as of and for the year ended June 30, 2005, which collectively comprise **Colleton County, South Carolina's** basic financial statements and have issued our report thereon dated November 4, 2005. We did not audit the financial statements of the Colleton County Alcohol and Drug Commission, a discretely presented component unit of the County. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those statements, insofar as it relates to the amounts included for **Colleton County, South Carolina**, was 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Colleton County, South Carolina's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

However we noted certain matters that we reported to management of **Colleton County, South Carolina**, in a separate letter dated November 4, 2005.

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

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

Bryan, Truesdale, Adkins & Williams, PA

November 4, 2005



BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

Certified Public Accountants and Financial Advisors

Martha H. Bryan, CPA
James T. Truesdale, CPA
Ellen K. Adkins, CPA
Betsy M. Williams, CPA, CFP®
Charlotte E. Allen, CPA, CFE

100 South Main Street, Suite G
Post Office Box 1588
Summerville, South Carolina 29484
Tele: 843.873.4400 Fax: 843.873.7227
Toll Free: 800.551.6032
Email: btaw@btaw-cpas.com

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

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

Compliance

We have audited the compliance of **Colleton County, South Carolina**, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. **Colleton County, South Carolina's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Colleton County, South Carolina's** management. Our responsibility is to express an opinion on **Colleton County, South Carolina's** compliance based on our audit.

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

In our opinion, **Colleton County, South Carolina**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of **Colleton County, South Carolina**, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Colleton County, South Carolina's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Bryan, Tuesdale, Adkins & Williams, PA

November 4, 2005

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.559	<u>Summer Food Service Program for Children</u>
16.000	<u>Federal Equitable Sharing Program</u>

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

Auditee qualified as low-risk auditee? X yes no

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

**COLLETON COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2005**

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