

**COLLETON COUNTY,  
SOUTH CAROLINA**

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

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**YEAR ENDED JUNE 30, 2008**

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***Independent Auditors' 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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Colleton County, South Carolina's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colleton County Commission on Alcohol and Drug Abuse, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of **Colleton County, South Carolina**, as of June 30, 2008, 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 December 19, 2008, 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.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 10 and 47 through 48, 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.

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

*Walterboro, SC*

Summerville, South Carolina  
December 19, 2008

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**COLLETON COUNTY, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

As management of Colleton County, South Carolina, (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ending June 30, 2008 (fiscal 2008). Please read this information in conjunction with the detail statements and notes to the financial statements in order to achieve better understanding of the County's financial performance for the fiscal year.

**Financial Highlights**

- The County's total General Fund assets were \$23,301,725 as of June 30, 2008, compared to \$20,669,771 at the end of the previous fiscal year.
- The County's total General Fund liabilities at June 30, 2008, were \$16,265,546 compared to \$13,820,993 at the end of the previous fiscal year.
- As of the close of fiscal 2008, County governmental funds reported combined ending fund balances of \$16,897,105. This represents an increase of \$632,264 or 3.89% from the prior fiscal year. Several offsetting factors contributed to this overall increase. Most notably the amount reserved for future capital expenditures grew by a net \$965,865 as a result of a refinancing more fully described in the Debt Administration section of this report. The composition of fund balances at June 30, 2008, was as follows:

Major Funds

General Fund

Unreserved and available for governmental operations	\$ 7,031,667	41.61%
Reserved for prepaid expenses	4,512	0.03%

Capital Projects Fund

Economic Development and Capital Improvements Fund		
Reserved for future capital expenditures	4,123,586	24.40%

Nonmajor Funds

Special Revenue Funds

Designated for future landfill post-closure	320,844	1.90%
Undesignated	2,756,200	16.31%

Capital Projects Funds

Reserved for future capital expenditures	502,034	2.98%
Undesignated	236,654	1.40%

Debt Service funds available for future General Obligation Bond payments	1,921,608	11.37%
	<u>\$ 16,897,105</u>	<u>100.00%</u>

- During fiscal 2008 the County's long-term debt position increased by \$237,723 or 1.4%. Scheduled debt retirements along with the retirement of Series 2003A Special Source Revenue Bond debt largely offset the new borrowing as described more fully in the Debt Administration section of this report.

**Overview of the Financial Statements**

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

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

**COLLETON COUNTY, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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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 Colleton County and are similar to financial statements issued in the private sector. They include a Statement of Net Assets and a Statement of Activities. These statements appear on pages 11 to 13 of this report.

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

The Statement of Net Assets shows the County's assets less its liabilities at June 30, 2008. 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 nonmajor funds of the County.

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

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

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Colleton County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Colleton County Government can be divided into two categories: governmental and fiduciary.

**Governmental Funds** - Governmental funds, presented on pages 14 to 18, essentially account for the same functions as those reported under the government-wide statement of net assets and statement of activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of available resources as well as on the balance available at the end of the fiscal year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating Colleton County's near-term financing requirements and available resources.

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

Governmental funds individually presented in Colleton County Government's statements include two major funds, the Colleton County General Fund and the Economic Development and Capital Improvements Capital Projects Fund. Although there are many smaller funds in the Colleton County government reporting system, they have been presented in a total column termed "Other Governmental Funds". Combining statements for these other governmental funds have been presented on pages 49 to 58 of this report.

**COLLETON COUNTY, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Colleton County's own programs. The basic fiduciary fund financial statements can be found on page 19 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements. Notes are presented on pages 20 to 46 of this report.

**Government-wide Financial Analysis**

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. The government-wide statements encompass all the funds of the county, not just the general operational fund. The County's total assets exceeded liabilities by \$35,667,595 at June 30, 2008, as compared to \$33,851,860 at June 30, 2007.

\$26,304,536 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, 2008, as compared to \$21,873,770 at June 30, 2007.

Although the County's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities. At June 30, 2008, the County has net assets restricted for Debt Service in the amount of \$1,155,743, as compared to \$1,481,952 restricted at June 30, 2007.

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets:</b>		
Current and other assets	\$ 35,853,824	\$ 33,093,020
Capital assets	35,504,738	34,218,607
<b>Total Assets</b>	<b>71,358,562</b>	<b>67,311,627</b>
<b>Liabilities:</b>		
Long-term liabilities outstanding	17,643,637	17,405,915
Other liabilities	18,047,330	16,053,852
<b>Total Liabilities</b>	<b>35,690,967</b>	<b>33,459,767</b>
<b>Net Assets:</b>		
Investment in capital assets, net of related debt	26,304,536	21,873,770
Restricted:		
Debt service	1,155,743	1,481,952
Capital Improvements	1,333,784	777,973
Public safety	132,126	202,690
Tourism	848,871	900,150
Roads and bridges	254,185	143,123
Grant related provisions	598,583	276,972
Unrestricted	5,039,767	8,195,230
<b>Total net assets</b>	<b>\$ 35,667,595</b>	<b>\$ 33,851,860</b>

**COLLETON COUNTY, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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At June 30, 2008, \$630,298 is being held by the County as restricted cash and investments to be used for the planned purchase/construction of additional capital assets. This amount represents a decrease of 50% as the County continued to acquire capital assets to provide services to residents.

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.

**Changes in Net Assets (Recapped)  
For the Fiscal Years Ended June 30, 2008 and 2007**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>		
<b>Program Revenues</b>		
Charges for services	\$ 3,618,301	\$ 2,885,851
Operating grants and contributions	974,119	1,476,277
Capital grants and contributions	174,643	129,862
<b>General Revenues</b>		
Property Taxes	13,032,648	12,897,742
Other Taxes	8,152,488	7,978,575
Grants and contributions not restricted to Specific Programs	2,277,220	2,054,893
Unrestricted Revenue	525,192	745,946
Gain on sale of capital assets	45,847	-
Misc./Other Income	157,455	8,807
<b>Special Item</b>		
Recovery of costs contributed to assist with development of industrial property (FY07)	-	170,210
<b>Total Revenue</b>	<u><b>28,957,913</b></u>	<u><b>28,348,163</b></u>
<b>Expenses:</b>		
<b>Governmental Activities:</b>		
General government	6,581,507	6,172,453
Judicial	2,130,954	1,574,140
Public safety	10,114,552	9,377,244
Streets and highways	2,250,684	2,266,132
Sanitation	2,056,866	1,945,094
Recreation and culture	1,139,480	996,532
Health and human services	1,113,018	1,057,044
Economic Development	402,344	353,263
Intergovernmental	638,346	320,196
Interest and fiscal charges	714,427	875,038
<b>Total Expenses</b>	<u><b>27,142,178</b></u>	<u><b>24,937,136</b></u>
<b>Increase in Net Assets</b>	<b>1,815,735</b>	<b>3,411,027</b>
Net assets Beginning of Year	<u>33,851,860</u>	<u>30,440,833</u>
<b>Net Assets End of Year</b>	<u><b>\$35,667,595</b></u>	<u><b>\$ 33,851,860</b></u>

**COLLETON COUNTY, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

**Required Supplementary Information** – Required Supplementary Information includes the Budgetary Comparison Schedule presented on pages 47 to 48 of this report. The format presented is required by the Governmental Accounting Standards Board (GASB) Statement 34 and highlights the differences between the budgetary basis of accounting for the County and Generally Accepted Accounting Standards (GAAP).

**Financial Analysis of the Government's Funds**

As noted earlier, 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 reporting combined ending fund balances at June 30, 2008, as compared to June 30, 2007:

**Governmental Fund Balances  
June 30, 2008**

	<u>General</u>	<u>Economic Development and Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>% Total</u>
<b>Reserved</b>					
Prepays	\$ 4,512	-	\$ -	\$ 4,512	0.03%
Capital projects	-	4,123,586	502,034	4,625,620	27.38%
<b>Unreserved</b>					
Designated for:					
Postclosure landfill costs	-	-	320,844	320,844	1.90%
<b>Undesignated, reported in:</b>					
General Fund	7,031,667	-	-	7,031,667	41.61%
Special Revenue Funds	-	-	2,756,200	2,756,200	16.31%
Capital Project Funds	-	-	236,654	236,654	1.40%
Debt Service Funds	-	-	1,921,608	1,921,608	11.37%
<b>Total Fund Balances:</b>	<u>\$ 7,036,179</u>	<u>\$ 4,123,586</u>	<u>\$ 5,737,340</u>	<u>\$ 16,897,105</u>	<u>100.00%</u>

