

**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: btaw@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**

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.

