

**COLLETON COUNTY,
SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2006

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of **Colleton County, South Carolina**, as of and for the year ended June 30, 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Colleton County, South Carolina's** internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2006, 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 October 13, 2006, on our consideration of **Colleton County, South Carolina's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Members of County Council
Colleton County, South Carolina
Walterboro, South Carolina
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The management's discussion and analysis and the budgetary comparison information on pages 3 through 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, Truesdale, Adkins & Williams, PA

October 13, 2006

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006**

As management of Colleton County, South Carolina, (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Colleton County for the fiscal year ending June 30, 2006. Please read this information in conjunction with the detailed 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 \$21,017,599 as of June 30, 2006, compared to \$19,673,279 at the end of the previous year. The largest part of this increase is related to the current taxes receivable due at June 30, 2006.
- The County's total general fund liabilities at June 30, 2006 were \$14,677,480 compared to \$12,464,780 at the end of the previous year. The largest part of this increase is related to the deferred revenue for current tax receivable.
- As of the close of the current fiscal year, Colleton County Governmental Funds reported combined ending fund balances of \$19,110,717. This amount represents a total increase of 26.31% over the prior year fund balances. The composition of fund balances is as follows:

General Fund		
Unreserved and available for governmental operations	\$ 5,680,983	29.73%
Reserved for capital lease acquisitions	337,465	1.76%
Reserved for prepaid expenses	253,666	1.33%
Special Revenue Funds		
Designated for future landfill post closure	220,844	1.16%
Undesignated	3,449,184	18.04%
Designated for the grant matching funds related to the future Highway 17 widening project with Beaufort County, Colleton County and the South Carolina Department of Transportation Commission	200,000	1.05%
Capital Projects Funds		
Reserved for future capital expenditures	7,163,695	37.48%
Undesignated	242,120	1.27%
Debt Service funds available for future General Obligation Bond payments	1,119,054	5.85%
Reserved for encumbrances in various funds	443,706	2.33%
	<u>\$ 19,110,717</u>	<u>100.00%</u>

- Colleton County's long-term debt position increased 20.26% in total during fiscal year ending June 30, 2006. The principal debt retirement related to Capital Lease purchases totaling \$948,916, which represents a decrease of 31.89% combined with the issuance of additional debt in the amount of \$660,000 (22.18%), for a combined total net decrease of 9.71% related to Capital Lease purchases. General Obligation Bond (GOB) debt increased 100.25% in total with the issuance of additional debt in the amount of \$6,500,000 (114.32%) combined with an \$800,084 (14.07%) decrease related to the retirement of outstanding debt. Special Source Revenue Bond (SSRB) debt decreased 10.51% and Notes Payable debt related to the VA Nursing Home decreased 53.32% all related to the principal debt retirement during fiscal year ending June 30, 2006. The Compensated Absence liability of the County increased in total 20.16% for the fiscal year.
- Colleton County's Component Unit, Fire & Rescue Commission long-term debt position increased 22.88% in total related to General Obligation Bonds issued during the fiscal year ending June 30, 2006. The total increase is comprised of additional debt issuances in the amount of \$2,400,000 representing a 34.73% increase and an 11.85% decrease related to the retirement of the principal portion of outstanding debt. The long-term debt related to Compensated Absences for the Fire & Rescue Commission increased 18.20% for the fiscal year.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2006**

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:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

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

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

The Statement of Net Assets shows the County's assets less its liabilities at June 30, 2006. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial position.

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

Both statements attempt to distinguish functions of Colleton County government that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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 three categories: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds, presented on pages 15 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 available resources 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.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2006**

Governmental funds individually presented in Colleton County Government's statements include two major funds, the Colleton County General Fund and the Colleton County 2005 Bond Fund. Although there are many smaller funds in the Colleton County government reporting system, they have been presented in a total column termed as "Other Governmental Funds". Combining statements for these other governmental funds have been presented on pages 47 to 56 of this report.

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The government-wide statements encompass all the funds of the county, not just the general operational fund. In the case of Colleton County, total assets exceeded liabilities by \$30,440,833 at the close of the June 30, 2006 fiscal year, as compared to \$27,383,371 at June 30, 2005.

\$19,878,746 (65.45%) of net assets represents investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding at June 30, 2006, as compared to \$15,571,192 (56.86%) at June 30, 2005 for Governmental Activities.

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. At June 30, 2006 the County has net assets restricted for debt service in the total amount of \$1,039,308 (3.42%) of the total net assets.

At June 30, 2006, additional net assets are restricted for capital improvements in the amount of \$5,468,153 (17.96%), as compared to \$825,612 (3.02%) at June 30, 2005. In addition \$196,045 (.64%) is restricted under state law for public safety functions, and \$105,706 (3.5%) is restricted for roads and bridges by council enabling legislation. The remaining balance of unrestricted net assets \$3,752,875 (12.33%) may be used to meet the government's ongoing obligation to citizens and creditors at June 30, 2006, as compared to \$10,986,567 (40.12%) at June 30, 2005.

**Colleton County's Net Assets
June 30, 2006 and 2005**

	Governmental Activities	
	2006	2005
Current and other assets	\$ 36,286,625	\$ 29,669,112
Capital assets	30,613,132	28,195,548
Total Assets	66,899,757	57,864,660
Long-term liabilities outstanding	19,960,046	16,573,612
Other Liabilities	16,498,878	13,907,677
Total Liabilities	36,458,924	30,481,289
Net Assets:		
Invest in capital assets, net of related debt	19,878,746	15,571,192
Restricted:		
Debt service	1,039,308	-
Capital improvements	5,468,153	825,612
Public safety	196,045	-
Roads and bridges	105,706	-
Unrestricted	3,752,875	10,986,567
Total net assets	\$ 30,440,833	\$ 27,383,371

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2006**

At June 30, 2006, \$4,604,994 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 \$4,645,276 at June 30, 2005.

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

**Colleton County, South Carolina
Changes in Net Assets (Recapped)
For the Fiscal Year Ended June 30, 2006 and 2005**

	Governmental Activities	
	2006	2005
Revenues:		
Program Revenues		
Charges for services	\$ 2,791,840	\$ 2,487,862
Operating grants and contributions	1,780,045	1,574,556
Capital Grants and contributions	1,665,398	496,416
General Revenues		
Property Taxes	12,361,450	11,823,872
Other Taxes	7,213,172	7,197,824
Grants and contributions not restricted to specific programs	1,874,599	1,795,135
Unrestricted revenue	491,442	212,826
Sale of capital assets	89,815	26,394
Miscellaneous/other income	57,399	46,952
Special Item		
Intergovernmental revenue received as a result of negotiated settlement	1,511,903	-
Total Revenue	29,837,063	25,661,837
Expenses:		
General government	5,832,259	5,340,259
Judicial	1,694,343	1,609,223
Public safety	8,897,438	8,355,260
Streets and highways	2,157,486	1,923,415
Sanitation	1,864,575	1,794,280
Recreation and culture	1,029,961	976,080
Health and human services	1,083,368	964,771
Economic development	420,369	704,122
Intergovernmental	2,909,748	862,515
Interest and fiscal charges	890,054	844,149
Total Expenses	26,779,601	23,374,074
Increase in net assets before transfers	3,057,462	2,287,763
Transfers to component unit	-	(424,146)
Increase in Net Assets	3,057,462	1,863,617
Net assets Beginning of Year	27,383,371	25,519,754
Net Assets End of Year	\$ 30,440,833	\$ 27,383,371

