

**COLLETON COUNTY,
SOUTH CAROLINA**

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

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**

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.

	Governmental Activities	
	2008	2007
Assets:		
Current and other assets	\$ 35,853,824	\$ 33,093,020
Capital assets	35,504,738	34,218,607
Total Assets	71,358,562	67,311,627
Liabilities:		
Long-term liabilities outstanding	17,643,637	17,405,915
Other liabilities	18,047,330	16,053,852
Total Liabilities	35,690,967	33,459,767
Net Assets:		
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
Total net assets	\$ 35,667,595	\$ 33,851,860

**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**

	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues		
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
General Revenues		
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
Special Item		
Recovery of costs contributed to assist with development of industrial property (FY07)	-	170,210
Total Revenue	28,957,913	28,348,163
Expenses:		
Governmental Activities:		
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
Total Expenses	27,142,178	24,937,136
Increase in Net Assets	1,815,735	3,411,027
Net assets Beginning of Year	33,851,860	30,440,833
Net Assets End of Year	\$35,667,595	\$ 33,851,860

**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>
Reserved					
Prepays	\$ 4,512	-	\$ -	\$ 4,512	0.03%
Capital projects	-	4,123,586	502,034	4,625,620	27.38%
Unreserved					
Designated for:					
Postclosure landfill costs	-	-	320,844	320,844	1.90%
Undesignated, reported in:					
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%
Total Fund Balances:	<u>\$ 7,036,179</u>	<u>\$ 4,123,586</u>	<u>\$ 5,737,340</u>	<u>\$ 16,897,105</u>	<u>100.00%</u>

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

**Governmental Fund Balances
June 30, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>% Total</u>
Reserved				
Prepays	\$ 12,190	\$ -	\$ 12,190	0.07%
Capital projects	-	3,659,754	3,659,754	22.5%
Unreserved				
Designated for:				
Postclosure landfill costs	-	270,844	270,844	1.67%
Undesignated, reported in:				
General Fund	6,836,588	-	6,836,588	42.03%
Special Revenue Funds	-	3,534,038	3,534,038	21.73%
Capital Project Funds	-	543,327	543,327	3.34%
Debt Service Funds	-	1,408,100	1,408,100	8.66%
Total Fund Balances:	<u>\$ 6,848,778</u>	<u>\$ 9,416,063</u>	<u>\$ 16,264,841</u>	<u>100.00%</u>

Economic Development and Capital Improvement Fund: At June 30, 2008 \$4,123,586 was available in this fund to pay for the cost of infrastructure at the Industrial Park (commonly known as the County Commerce Center).

Capital Improvement Special Revenue Fund: At June 30, 2008, \$473,481 was available for appropriation by County Council, which represents a decrease of 66.8% as compared to \$1,426,558 available for appropriation at June 30, 2007.

Roads and Bridges Special Revenue Fund: The County levies a Vehicle User Fee annually through tax appropriations. This vehicle user fee is designated to the Roads and Bridges Special Revenue Fund for operations. The General Government contributed a total of \$762,103 for operations in the Roads and Bridges Fund to offset the total cost of operations and capital equipment costs not funded through the vehicle user fee for fiscal year ending June 30, 2008, as compared to \$821,517 for June 30, 2007.

Compliant Fund Balance - The Colleton County Budget Ordinance directs the utilization of a compliant fund balance methodology based on the cash-flow needs of the County. The intention of this policy is to allow Colleton County to operate during the fiscal year prior to the receipt of tax revenues without having to issue Tax Anticipation Notes (TANS) to provide funding for governmental services. The issuance of TANS to operate government services only increases the budget costs to the taxpayers during the fiscal year because of the related interest expense associated with the issuance of TANS. The Colleton County Council's goal each fiscal year is to keep the operational costs at a minimum through sound fiscal practices, thus the Compliant Fund Balance Policy was implemented. The unreserved fund balance needed for operations is projected annually during the budget process by the County Finance Director and is monitored throughout the fiscal year by both the County Treasurer and the County Finance Director. Based on projected figures for the June 30, 2009, budget, the amount needed to sustain operations without borrowing funds is projected to be at a minimum of \$5.5 million or approximately 80% of the total June 30, 2008, General Fund Undesignated Fund Balance.

The County Government prepares the annual budget for tax revenues on the cash basis of accounting and other revenue projections on the modified accrual basis of accounting with the expenditure portion of the budget presented on the modified accrual basis of accounting.

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

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General Fund Budgetary Highlights

The County's General Fund Budget was originally balanced for the fiscal year ending June 30, 2008, without a fund balance appropriation and with expenditures totaling \$21,874,823. As amended, the final budgeted expenditures were \$22,295,142 and the amended budget included a \$375,309 budgeted deficit. The County however, completed fiscal 2008 with a \$187,401 surplus. Strong spending constraints produced a favorable \$865,778 expenditure variance that more than offset an overall \$303,320 unfavorable revenue variance. See the notes to the Budgetary Comparison Schedule on page 48 for additional information.

Capital Asset and Debt Administration

Capital Assets – The County's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$35,504,738 (net of accumulated depreciation) as compared to \$34,218,607 at June 30, 2007. This investment in capital assets, both purchased and donated, includes land, buildings and improvements, machinery and equipment, roads, bridges, and easements.

Major capital asset events during the fiscal 2008 include some of the following:

- Ongoing development of the County Commerce Center project
- Court House renovations completed
- Council Chambers, Museum and Warshaw building renovations
- Vehicles for Public Safety, Public Works and Solid Waste acquired
- Heavy equipment for Public Works and Solid Waste acquired
- Facilities and equipment for Fire and Rescue acquired
- Additional Solid Waste convenience site constructed
- New 911 system and ongoing In-Car Cameras acquired
- New phone systems installed for Court House, Harrelson and Breland buildings

Additional information on the County's capital assets can be found on pages 32 to 34 in the notes to the financial statements.

Debt Administration – At June 30, 2008, Colleton County had total debt outstanding of \$16,866,636 compared to outstanding debt at June 30, 2007 totaling \$16,705,940, which represents .96% increase from the prior fiscal year. During fiscal 2008 the County issued Special Source Revenue Bond (Industrial Park Project) Series 2008 in the amount of \$4,000,000. Proceeds in the amount of \$1,314,241 were used to retire Colleton County Special Source Revenue Bond Series 2003A outstanding debt. Remaining proceeds totaling \$2,685,759 were and are being used to pay cost of issuance and related fees and for infrastructure at the Industrial Park as defined in an indenture dated April 17, 2008.

In accordance with State Law, the amount of General Obligation Bonds (GOB) a government entity may issue (without referendum) is equal to eight percent of its total assessed value. The current General Obligation Bond debt limitation for Colleton County based on information received from the County Auditor related to the 2007 Tax Assessments is \$12,984,928 for fiscal year ended June 30, 2008, which represents a 2% increase from the prior year capacity of \$12,725,981 at June 30, 2007.

The Colleton County Fire and Rescue Commission had total debt outstanding of \$10,575,289 at June 30, 2008 representing a 39.5% increase from the June 30, 2007, outstanding debt of \$7,580,099. During fiscal 2008, the County issued Fire Protection Service General Obligation Bonds, Series 2008 in the amount of \$4,000,000. Proceeds are being used to purchase land, constructing and equipping new fire stations, renovation and improvement of existing fire stations and for fire-related trucks, vehicles and equipment.

**COLLETON COUNTY, SOUTH CAROLINA
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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

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

Economic Factors and Next Year's Budget

While 2007 assessed values (as of 06/30/08) increased by an overall 2% over prior year's values, the County is not immune from the financial and economic uncertainties facing the United States and South Carolina. The County intends to essentially stay the course and continue offsetting expected revenue softness with spending constraint.

In September 2008 the South Carolina General Assembly passed budget cuts that included a 6.5% in the Local Government Fund returning the appropriation to the fiscal 2008 level. This cut will reduce County revenue by \$154,518.

In October 2008 the County implemented a mandatory freeze on all non-essential purchases and hiring of non-critical personnel.

The county budget for fiscal year ending June 30, 2009, includes no tax increase for the General Fund and a 3% cost of living pay increase for County employees. The County did establish a \$40 annual county-wide solid waste fee thereby reducing Solid Waste's reliance on the General Fund. Despite holding budgets at or below the prior year's level the County will still move forward with important capital projects. Funds were appropriated for a new CAMA and Tax/Billing System. This "one-stop" system will link the Tax Assessor, Treasurer, Auditor and Planning & Development Departments. Funds were also appropriated for the final phase of a new GIS system with "tie down" points for most parcels and a numbering system for tax parcels to provide more accurate data. To accommodate the resulting increased data, funds were also appropriated for a new SAN (Storage Area Network) with corresponding server system. Work on the County's key economic development projects, the Commerce Center Industrial Park along Interstate 95 and the Quick Jobs Employment Development Center will continue.

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, 2008

	Primary Government		Component Units	
	Governmental Activities	Memorial Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse
Assets				
Cash and investments	\$ 17,305,157	\$ 75,304	\$ 1,551,796	\$ 314,454
Receivables, net of allowances				
Property taxes	15,756,045	-	3,592,780	-
Accounts	92,716	-	341,817	51,002
Other	114,791	202	-	-
Interest	-	-	-	2,957
Due from component units	102,938	-	-	-
Due from primary government	-	2,836	39,511	-
Due from other governments	1,578,702	402	14,930	81,987
Prepays and deposits	213,722	5,304	80,931	-
Bond issuance costs	59,455	-	68,109	-
Temporarily restricted assets				
Cash and investments	630,298	-	2,792,156	-
Capital assets				
Nondepreciable	9,410,025	-	727,286	-
Depreciable, net of accumulated depreciation	26,094,713	415,697	7,084,596	8,059
Total assets	71,358,562	499,745	16,293,912	458,459
Liabilities				
Accounts payable	2,215,673	1,586	-	7,926
Accrued liabilities	282,798	8,704	138,324	-
Due to primary government	-	5,662	82,599	14,677
Due to component unit	42,347	-	-	-
Due to other governments	147,653	-	-	-
Unearned revenues	15,114,071	-	3,335,294	-
Accrued interest	244,788	-	169,332	-
Noncurrent liabilities				
Due within one year	2,025,655	4,146	1,383,489	7,499
Due in more than one year	15,617,982	14,144	9,343,782	15,443
Total liabilities	35,690,967	34,242	14,452,820	45,545
Net assets				
Invested in capital assets, net of related debt	26,304,536	415,697	1,052,625	8,059
Restricted for				
Debt Service	1,155,743	-	692,136	-
Capital improvements	1,333,784	-	-	-
Public safety	132,126	-	-	-
Tourism	848,871	-	-	-
Roads and bridges	254,185	-	-	-
Grant provisions	598,583	-	-	-
Unrestricted	5,039,767	49,806	96,331	404,855
Total net assets	\$ 35,667,595	\$ 465,503	\$ 1,841,092	\$ 412,914

The accompanying notes are an integral part of these financial statements.

**COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 6,581,507	\$ 560,509	\$ 167,627	\$ -
Judicial	2,130,954	531,060	300,875	-
Public safety	10,114,552	1,390,379	414,546	69,420
Streets and highways	2,250,684	-	-	78,817
Sanitation	2,056,866	508,640	62,560	26,406
Recreation and culture	1,139,480	130,601	28,511	-
Health and human services	1,113,018	497,112	-	-
Economic development	402,344	-	-	-
Intergovernmental	638,346	-	-	-
Interest and fiscal charges	714,427	-	-	-
Total primary government	<u>\$ 27,142,178</u>	<u>\$ 3,618,301</u>	<u>\$ 974,119</u>	<u>\$ 174,643</u>
Component Units				
Memorial Library	\$ 685,409	\$ 61,091	\$ 108,333	\$ 13,349
Fire and Rescue Commission	7,655,698	513,359	130,243	430,375
Commission on Alcohol and Drug Abuse	947,525	152,584	864,546	-
Total component units	<u>\$ 9,288,632</u>	<u>\$ 727,034</u>	<u>\$ 1,103,122</u>	<u>\$ 443,724</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

Total general revenues

Change in net assets

Net assets

Beginning of year

End of year

The accompanying notes are an integral part of these financial statements.

Primary Government	Component Units		
Governmental Activities	Memorial Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse
\$ (5,853,371)			
(1,299,019)			
(8,240,207)			
(2,171,867)			
(1,459,260)			
(980,368)			
(615,906)			
(402,344)			
(638,346)			
(714,427)			
(22,375,115)			
	\$ (502,636)		
	-	\$ (6,581,721)	
	-	-	\$ 69,605
	(502,636)	(6,581,721)	69,605
13,032,648	-	3,350,414	-
65,564	-	26,883	-
722,041	-	236,373	-
191,439	-	41,272	-
1,057,960	-	246,942	-
2,196,223	-	-	-
1,414,302	-	282,008	-
326,133	-	-	-
427,509	-	-	-
895,558	-	-	-
778,739	-	-	-
77,020	-	-	-
2,277,220	511,195	2,384,323	-
525,192	741	45,105	9,344
45,847	-	52,054	-
157,455	-	7,929	6,796
24,190,850	511,936	6,673,303	16,140
1,815,735	9,300	91,582	85,745
33,851,860	456,203	1,749,510	327,169
\$ 35,667,595	\$ 465,503	\$ 1,841,092	\$ 412,914

**COLLETON COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Economic Development and Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 6,848,720	\$ 4,210,086	\$ 6,246,351	\$ 17,305,157
Receivables, net of allowances				
Property taxes	14,137,882	-	1,618,163	15,756,045
Accounts	41,378	-	51,338	92,716
Other	21,904	-	92,887	114,791
Due from other funds	873,756	-	18,899	892,655
Due from component units	102,938	-	-	102,938
Due from other governments	1,270,635	-	308,067	1,578,702
Prepays and deposits	4,512	-	-	4,512
Temporarily restricted				
Cash and investments	-	-	630,298	630,298
Total assets	\$ 23,301,725	\$ 4,210,086	\$ 8,966,003	\$ 36,477,814
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,761,640	\$ 86,500	\$ 367,533	\$ 2,215,673
Accrued payroll and other liabilities	217,185	-	65,613	282,798
Due to other funds	14,991	-	877,664	892,655
Due to component units	42,347	-	-	42,347
Due to other governments	147,653	-	-	147,653
Deferred revenues	14,081,730	-	1,917,853	15,999,583
Total liabilities	16,265,546	86,500	3,228,663	19,580,709
Fund Balances				
Reserved for				
Prepays	4,512	-	-	4,512
Capital projects	-	4,123,586	502,034	4,625,620
Unreserved				
Designated for				
Landfill postclosure	-	-	320,844	320,844
Undesignated, reported in				
General fund	7,031,667	-	-	7,031,667
Special revenue funds	-	-	2,756,200	2,756,200
Capital projects funds	-	-	236,654	236,654
Debt service funds	-	-	1,921,608	1,921,608
Total fund balances	7,036,179	4,123,586	5,737,340	16,897,105
Total liabilities and fund balances	\$ 23,301,725	\$ 4,210,086	\$ 8,966,003	\$ 36,477,814

The accompanying notes are an integral part of these financial statements.

**COLLETON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total governmental fund balances **\$ 16,897,105**

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 \$50,599,341 and the accumulated depreciation is \$15,094,603. 35,504,738

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	\$	828,978	
Other		56,534	885,512

Disbursements for insurance coverage reflected in the funds cover periods extending beyond year-end. 209,210

Costs associated with the issuance of long-term debt are deferred and amortized over the term of the debt. 59,455

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	\$	(9,224,660)	
Note payable		(1,252,488)	
Special source revenue bonds		(5,460,768)	
Capital leases		(928,720)	
Compensated absences		(431,645)	
Landfill closure and postclosure cost		(278,356)	
Claims and judgements		(67,000)	
Accrued interest		(244,788)	(17,888,425)

Net assets of governmental activities **\$ 35,667,595**

The accompanying notes are an integral part of these financial statements.

COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Economic Development and Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 16,906,378	\$ -	\$ 4,498,248	\$ 21,404,626
Intergovernmental revenues	2,582,690	-	1,249,521	3,832,211
Licenses and permits	223,315	-	-	223,315
Fines, fees and service charges	1,515,693	-	990,784	2,506,477
Interest income	240,159	48,961	236,188	525,308
Other income	144,633	-	152,723	297,356
Total revenues	21,612,868	48,961	7,127,464	28,789,293
Expenditures				
Current				
General government	6,092,378	32,425	330,800	6,455,603
Judicial	1,229,805	-	489,683	1,719,488
Public safety	8,615,030	-	1,029,932	9,644,962
Streets and highways	57,760	-	1,554,308	1,612,068
Sanitation	-	-	2,110,483	2,110,483
Recreation and culture	873,417	-	253,620	1,127,037
Health and human services	512,017	-	507,014	1,019,031
Economic development	236,444	-	152,839	389,283
Intergovernmental	375,309	-	218,773	594,082
Capital outlay	-	816,383	2,154,349	2,970,732
Debt service				
Principal retirement	723,165	-	1,801,897	2,525,062
Interest and fiscal charges	21,129	-	706,656	727,785
Total expenditures	18,736,454	848,808	11,310,354	30,895,616
Excess (deficiency) of revenues over (under) expenditures	2,876,414	(799,847)	(4,182,890)	(2,106,323)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	48,028	48,028
Current refunding bond proceeds	-	2,685,759	1,314,241	4,000,000
Payment to refund debt	-	-	(1,314,241)	(1,314,241)
Insurance proceeds	-	-	4,800	4,800
Transfers in	3,897	-	3,263,399	3,267,296
Transfers out	(2,692,910)	-	(574,386)	(3,267,296)
Total other financing sources (uses)	(2,689,013)	2,685,759	2,741,841	2,738,587
Net change in fund balance	187,401	1,885,912	(1,441,049)	632,264
Fund balances				
Beginning of year	6,848,778	2,237,674	7,178,389	16,264,841
End of year	\$ 7,036,179	\$ 4,123,586	\$ 5,737,340	\$ 16,897,105

The accompanying notes are an integral part of these financial statements.

**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, 2008**

Page 1 of 2

Net change in fund balances - total governmental funds **\$ 632,264**

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	\$	3,568,811	
Depreciation expense		<u>(2,354,515)</u>	1,214,296

In the statement of activities, the gain or loss on disposal of capital assets (\$89,815) is reported. Conversely, governmental funds report only proceeds from disposal of capital assets (\$94,788). Thus, the change in net assets differs from the change in fund balance by cost of the capital assets sold.

Cost of capital assets	\$	(159,465)	
Accumulated depreciation		<u>152,484</u>	(6,981)
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	\$	(800,569)	
Other		(40,985)	
Amounts not meeting current year availability criteria, not recognized in governmental funds in current year			
Property taxes		828,978	
Other		<u>56,534</u>	43,958

In the statement of activities, revenue from infrastructure assets contributed to the County by other governmental agencies 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. 78,816

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	\$	(40,379)	
Landfill closure and postclosure cost		(36,646)	
Accrued interest		<u>19,504</u>	(57,521)

(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, 2008**

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Debt issued or repaid:		
Revenue bond debt issued	\$	(4,000,000)
Payment to refund debt		1,314,241
General obligation bonds		1,127,295
Note payable		129,818
Special source revenue bond		473,947
Capital leases		794,002
Bond issue costs incurred and amortized		<u>26,258</u>
	\$	(134,439)

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.

	<u>45,342</u>
Change in net assets of governmental activities	<u><u>\$ 1,815,735</u></u>

**COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Agency Funds</u>
Assets	
Cash and cash investments	\$ 9,547,912
Accounts receivable	<u>138,031</u>
Total assets	<u>\$ 9,685,943</u>
Liabilities	
Assets held for others	<u>\$ 9,685,943</u>
Total liabilities	<u>\$ 9,685,943</u>

The accompanying notes are an integral part of these financial statements.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

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 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 units unless otherwise indicated.

Blended Component Units.

The *Colleton County Development Board*, an entity legally separate from the County, is governed by a seven-member board appointed by Colleton County Council. For financial reporting purposes, the Commission is reported as if it is part of the County's operations because all fiscal and hiring matters are subject to the authority of 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. Separately issued financial statements may be obtained at 1439 Thunderbolt Drive, Walterboro, South Carolina.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the 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* accounts for the accumulation and expenditure of funds for infrastructure in County industrial development projects.

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 funds* account for the accumulation of resources for, and the payment of, long-term debt principal and interest. The County's Debt Service Fund was established and is maintained in accordance with acts passed by the General Assembly of South Carolina authorizing the sale of general obligation bonds of the County. The SSRB Canadays Debt Service Fund accounts for debt payments made from Fee-in-Lieu Agreement revenues, and the Non GOB Debt Service Fund accounts for the accumulation of funds and payment of various capital leases and notes payable.

The *Capital Projects funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

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 proprietary fund financial statement, when applicable. 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.

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

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days of year-end and available to pay obligations of the current period): real and personal property taxes and special assessments, investment earnings, fines and forfeitures, certain charges for services, and state-levied locally shared taxes. Sales, use and hospitality taxes are recorded when the underlying transaction is made. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made. When grant funds are received in advance, revenue recognition is deferred until qualifying expenditures are made. Other revenues, including vehicle taxes, 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, 2008**

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.

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.

For additional information related to deposits see Note III.A.

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.

For additional information related to investments see Note III.A.

3. Prepaid Items

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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."

The County bills and collects taxes for itself and all other taxing entities in the County under joint billing and collection agreements. The County recognizes property taxes in the period for which they are levied and available for financing current expenditures. Property taxes receivable represents delinquent real and personal taxes for the past ten years, less an allowance for amounts estimated to be uncollectible, plus taxes levied on the assessed value of real and personal property, as of December 31, 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.B.

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 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, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. 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 Financial 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 Financial 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 also used as budgetary controls in the special revenue funds and capital projects funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as designations of fund balances since they do not constitute expenditures or liabilities. Outstanding encumbrances are considered reappropriated in the ensuing year and are included in the overall budget for the ensuing year.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. FUND EQUITY DEFICITS

The following funds 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 Incentives Fund	\$ 4,422	Future revenues
Sheriff's Discretionary Funds	\$ 74,268	Future revenues

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Primary government, Fire and Rescue Commission, and Library

Except for petty cash accounts, the funds of the Fire and Rescue Commission and the Library are included in the funds administered by the County Treasurer.

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 monies. Custodial credit risk for deposits is not formally addressed by bond indentures. Indentures require that restricted deposits be maintained by the trustee bank, as custodian, specified in the indenture.

As of June 30, 2008, \$2,414,436 of the County's bank balance of \$13,769,816 was exposed to custodial credit risk because \$1,083,945 was uninsured and uncollateralized, and \$542,834 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.

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 regarding custodial credit risk.

As of June 30, 2008, \$18,576,139 of investments were in repurchase agreements held by the counterparty, or its trust department or agent for the County.

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, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Primary government, Fire and Rescue Commission, and Library (Continued)

As of June 30, 2008, the County had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Repurchase Agreements	<u>\$ 18,576,139</u>	1
Certificates of Deposit	<u>\$ 6,010,925</u>	300

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

1. Obligations of the United States and agencies thereof;
2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
3. General obligations of the State of South Carolina or any of its political units;
4. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
5. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
6. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company 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 to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, 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 a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC’s rule 2a7 of the Investment Company Act of 1940.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

	Fair value at June 30, 2008	Percentage of Portfolio	Credit rating
Repurchase agreements	\$ 18,576,139	58.23	unrated
Certificates of deposit	6,010,925	18.84	N/A
Total investments	<u>24,587,064</u>		
Carrying value of cash in banks and on hand	7,315,559	22.93	N/A
Deposits and investments held by County Treasurer	<u>\$ 31,902,623</u>	<u>100.00</u>	

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

B. RECEIVABLES

Receivables as of year-end for the County's individual major funds and on major 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	\$ 14,832,713	\$ 1,690,129	\$ 3,803,449	\$ -	\$ -
Accounts	45,975	87,406	5,040,564	-	59,397
Other	21,904	92,887	-	202	-
Gross receivables	<u>14,900,592</u>	<u>1,870,422</u>	<u>8,844,013</u>	<u>202</u>	<u>59,397</u>
Less: allowance for uncollectibles					
Taxes	694,831	71,966	210,669	-	-
Accounts	4,597	36,068	4,698,747	-	8,395
Net receivables	<u>\$ 14,201,164</u>	<u>\$ 1,762,388</u>	<u>\$ 3,934,597</u>	<u>\$ 202</u>	<u>\$ 51,002</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. DEFERRED AND UNEARNED REVENUES

Governmental funds report deferred revenue in the fund financial statement in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2008, the various components of deferred and unearned revenue reported in the governmental funds were as follows:

	Fund Statement	Government- Wide
Unavailable		
Property taxes receivable	\$ 828,978	\$ -
Other	56,534	-
Total unavailable	885,512	-
Unearned		
Contributions and grants recorded prior to meeting all eligibility requirements	295,223	295,223
Property taxes receivable	14,818,848	14,818,848
Total unearned	15,114,071	15,114,071
Total deferred revenues, governmental funds	\$ 15,999,583	
Total unearned revenues, government-wide		\$ 15,114,071

Component unit

Fire and Rescue

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 171,095	\$ -
Fees for emergency medical services	261,677	-
Total unavailable	432,772	-
Unearned		
Property taxes receivable	3,335,294	3,335,294
Total unearned	3,335,294	3,335,294
Total deferred revenues, governmental funds	\$ 3,768,066	
Total unearned revenues, government-wide		\$ 3,335,294

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND RECEIVABLES AND PAYABLES

The interfund receivables and payables at June 30, 2008, were as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Major governmental funds		
General	\$ 873,756	\$ 14,991
Nonmajor governmental funds	<u>18,899</u>	<u>877,664</u>
 Total interfund balances	 <u>\$ 892,655</u>	 <u>\$ 892,655</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.

E. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

	<u>Transfer in</u>	<u>Transfer out</u>
Major governmental funds		
General	\$ 3,897	\$ 2,692,910
Nonmajor governmental funds	<u>3,263,399</u>	<u>574,386</u>
 Total	 <u>\$ 3,267,296</u>	 <u>\$ 3,267,296</u>

Transfers are used (1) to move revenues from the fund with collection authorization to the fund with expenditure authorization, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS

Primary government capital asset activity for the year ended June 30, 2008, is as follows:

	July 1, 2007	Additions	Dispositions	June 30, 2008
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 1,464,821	\$ -	\$ -	\$ 1,464,821
Land - infrastructure	4,448,199	69,508	(6,981)	4,510,726
Construction in progress	5,989,163	991,856	(3,546,541)	3,434,478
Total capital assets not being depreciated	<u>11,902,183</u>	<u>1,061,364</u>	<u>(3,553,522)</u>	<u>9,410,025</u>
Capital assets being depreciated				
Buildings and improvements	14,402,895	4,202,786	-	18,605,681
Improvements other than buildings	1,386,167	13,250	-	1,399,417
Machinery and equipment	3,775,740	1,036,527	-	4,812,267
Heavy vehicles and equipment	4,283,061	566,877	-	4,849,938
Vehicles	3,447,535	304,055	(152,484)	3,599,106
Infrastructure	7,913,598	9,309	-	7,922,907
Total assets being depreciated	<u>35,208,996</u>	<u>6,132,804</u>	<u>(152,484)</u>	<u>41,189,316</u>
Accumulated depreciation				
Buildings and improvements	(3,188,571)	(755,933)	-	(3,944,504)
Improvements other than buildings	(983,332)	(76,729)	-	(1,060,061)
Machinery and equipment	(1,625,302)	(429,644)	-	(2,054,946)
Heavy vehicles and equipment	(2,299,027)	(404,672)	-	(2,703,699)
Vehicles	(2,744,996)	(290,773)	152,484	(2,883,285)
Infrastructure	(2,051,344)	(396,764)	-	(2,448,108)
Total accumulated depreciation	<u>(12,892,572)</u>	<u>(2,354,515)</u>	<u>152,484</u>	<u>(15,094,603)</u>
Total capital assets being depreciated, net	<u>22,316,424</u>	<u>3,778,289</u>	<u>-</u>	<u>26,094,713</u>
Governmental activities capital assets, net	<u>\$ 34,218,607</u>	<u>\$ 4,839,653</u>	<u>\$ (3,553,522)</u>	<u>\$ 35,504,738</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS (CONTINUED)

Capital asset additions include \$78,816 in donated infrastructure.

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

General Government Activities	
General Government	\$ 354,286
Judicial	417,282
Public Safety	560,154
Streets and highways	645,389
Sanitation	214,838
Recreation and culture	10,601
Health and human services	94,943
Economic Development	12,757
Intergovernmental	44,265
Total governmental activity depreciation	<u>\$ 2,354,515</u>

Component units

Activity for the year ended June 30, 2008, is as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2008</u>
<u>Fire and Rescue Commission</u>				
Capital assets not being depreciated				
Land	\$ 207,395	\$ 10,000	\$ -	\$ 217,395
Construction in progress	-	509,891	-	509,891
Total capital assets not being depreciated	<u>207,395</u>	<u>519,891</u>	<u>-</u>	<u>727,286</u>
Capital assets being depreciated				
Buildings and improvements	3,795,463	190,000	-	3,985,463
Improvements other than buildings	59,790	-	-	59,790
Machinery and equipment	124,216	499,264	-	623,480
Heavy vehicles and equipment	7,916,467	154,219	(203,588)	7,867,098
Vehicles	292,244	-	-	292,244
Total capital assets being depreciated	<u>12,188,180</u>	<u>843,483</u>	<u>(203,588)</u>	<u>12,828,075</u>
Total capital assets	<u>12,395,575</u>	<u>1,363,374</u>	<u>(203,588)</u>	<u>13,555,361</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS (CONTINUED)

	July 1, 2007	Additions	Dispositions	June 30, 2008
<u>Fire and Rescue Commission (continued)</u>				
Accumulated depreciation				
Buildings and improvements	\$ (488,869)	\$ (124,410)	\$ -	\$ (613,279)
Improvements other than buildings	(45,951)	(1,647)	-	(47,598)
Machinery and equipment	(87,656)	(58,576)	-	(146,232)
Heavy vehicles and equipment	(4,152,472)	(615,568)	99,228	(4,668,812)
Vehicles	(248,373)	(19,185)	-	(267,558)
	<u>(5,023,321)</u>	<u>(819,386)</u>	<u>99,228</u>	<u>(5,743,479)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>7,164,859</u>	<u>24,097</u>	<u>(104,360)</u>	<u>7,084,596</u>
Governmental activities capital assets, net	<u>\$ 7,372,254</u>	<u>\$ 543,988</u>	<u>\$ (104,360)</u>	<u>\$ 7,811,882</u>
<u>Library</u>				
Capital assets being depreciated				
Buildings and improvements	\$ 119,026	\$ -	\$ -	\$ 119,026
Library materials	1,508,174	125,875	(38,833)	1,595,216
Machinery and equipment	129,204	5,530	-	134,734
Heavy vehicles and equipment	62,736	-	-	62,736
Vehicles	14,190	-	-	14,190
	<u>1,833,330</u>	<u>131,405</u>	<u>(38,833)</u>	<u>1,925,902</u>
Total capital assets being depreciated				
Total capital assets	<u>1,833,330</u>	<u>131,405</u>	<u>(38,833)</u>	<u>1,925,902</u>
Accumulated depreciation				
Buildings and improvements	(93,264)	(11,935)	-	(105,199)
Library materials	(1,159,308)	(130,869)	38,833	(1,251,344)
Machinery and equipment	(60,568)	(16,167)	-	(76,735)
Heavy vehicles and equipment	(62,737)	-	-	(62,737)
Vehicles	(14,190)	-	-	(14,190)
	<u>(1,390,067)</u>	<u>(158,971)</u>	<u>38,833</u>	<u>(1,510,205)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>443,263</u>	<u>(27,566)</u>	<u>-</u>	<u>415,697</u>
Governmental activities capital assets, net	<u>\$ 443,263</u>	<u>\$ (27,566)</u>	<u>\$ -</u>	<u>\$ 415,697</u>
<u>Alcohol and Drug</u>				
Capital assets being depreciated				
Vehicles	\$ 56,618	\$ -	\$ -	\$ 56,618
Accumulated depreciation				
Vehicles	(44,692)	(3,867)	-	(48,559)
Governmental activities capital assets, net	<u>\$ 11,926</u>	<u>\$ (3,867)</u>	<u>\$ -</u>	<u>\$ 8,059</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS (CONTINUED)

Depreciation expense incurred by the component units during the year ended June 30, 2008, was as follows:

Fire and Rescue	<u>\$ 819,386</u>
Library	<u>\$ 158,971</u>
Alcohol and Drug Abuse	<u>\$ 3,867</u>

G. LONG-TERM DEBT

The County has the following forms of long-term indebtedness:

General Obligation Bonds – The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds reported in the governmental activities is property taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the County.

Special Source Revenue Bonds – The County entered into an agreement with Orangeburg County for the development of a joint-county industrial/business park to be located within both the County and Orangeburg County. The County issued Special Source Revenue Bonds of \$5,000,000 on June 19, 2003, of which the proceeds of these issues are to be used for the defrayment of a portion of the costs of acquiring the infrastructure for, and the development of, the joint-county industrial/business park. Repayment of the bonds is to be funded solely through fees in lieu of taxes equal to the ad valorem property taxes on the property located within the park. No recourse shall be had for the payment of these bonds or the interest thereon against the general fund of the County. The full faith, credit and taxing powers of the County are not pledged to the payment of the principal of, or interest on, these bonds.

Capital Lease Obligations – The County uses leases to finance the purchase of various equipment. Repayment is budgeted in the General Fund and the Non GOB Debt Service Fund.

Note Payable – The County entered into an enterprise financing agreement under Section 11-27-110(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.

Compensated Absences Payable – These obligations represent accumulated annual leave and compensatory time benefits which were not funded by the current or prior years' revenue resources. These obligations are primarily funded by the general fund.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

1. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2008, is as follows:

	July 1, 2007	Additions	Reductions	June 30, 2008	Due within one year
Primary government					
Governmental activities					
Bonds					
General obligation	\$ 10,351,955	\$ -	\$ 1,127,295	\$ 9,224,660	\$ 1,266,525
Special source revenue	3,248,956	4,000,000	1,788,188	5,460,768	451,800
Capital leases	1,722,722	-	794,002	928,720	74,287
Note payable	1,382,306	-	129,818	1,252,488	135,205
Claims and judgments	67,000	-	-	67,000	-
Landfill closure and postclosure costs	241,710	36,646	-	278,356	-
Compensated absences	391,266	498,145	457,765	431,645	97,838
	<u>\$ 17,405,915</u>	<u>\$ 4,534,791</u>	<u>\$ 4,297,068</u>	<u>\$ 17,643,637</u>	<u>\$ 2,025,655</u>
Component units					
Fire and Rescue					
General obligation bonds	\$ 7,580,099	\$ 4,000,000	\$ 1,004,810	\$ 10,575,289	\$ 1,349,039
Compensated absences	131,207	142,520	121,745	151,982	34,450
Total Fire and Rescue long-term debt	<u>\$ 7,711,306</u>	<u>\$ 4,142,520</u>	<u>\$ 1,126,555</u>	<u>\$ 10,727,271</u>	<u>\$ 1,383,489</u>
Library					
Compensated absences	\$ 17,552	\$ 18,595	\$ 17,857	\$ 18,290	\$ 4,146
Alcohol and Drug					
Compensated absences	\$ 15,256	\$ 22,672	\$ 14,986	\$ 22,942	\$ 7,499

2. 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, 2008, 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, 2008.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

3. General Obligation Bonds

Primary Government

Issue Date	Title of Issues	Original Principal	Principal Outstanding
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	\$ 440,000
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	1,875,000
May 1, 2002	General Obligation Bonds, Series 2002, 4.8% annual interest, annual principal and interest payments, beginning in 2003, matures 2012	1,900,000	859,660
November 1, 2005	General Obligation Bonds, Series 2005, 3.5% to 6.5% annual interest, semi-annual principal and interest payments, beginning in 2007, matures 2016.	6,500,000	6,050,000
	Total General Obligation Bonds	<u>\$ 17,200,000</u>	<u>\$ 9,224,660</u>

Future debt service requirements for primary government general obligation bonds outstanding at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,266,525	\$ 379,435	\$ 1,645,960
2010	951,198	311,097	1,262,295
2011	1,021,336	260,944	1,282,280
2012	1,091,983	220,370	1,312,353
2013	1,085,000	177,025	1,262,025
2014-2016	3,808,618	262,252	4,070,870
Total General Obligation Bonds	<u>\$ 9,224,660</u>	<u>\$ 1,611,123</u>	<u>\$10,835,783</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

Component Unit

Fire and Rescue General Obligation Bonds payable at June 30, 2008, 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	\$ 1,800,289
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	1,125,000
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	2,500,000	1,425,000
November 1, 2005	Fire Protection Service General Obligation Bonds Series 2005, 3.5% to 4.0% annual interest, annual principal and interest payments beginning in 2007, matures 2016	2,400,000	2,225,000
March 20, 2008	Fire Protection Service General Obligation Bonds Series 2008, 3.39% annual interest, annual principal and interest payments beginning in 2008, matures 2018	4,000,000	4,000,000
	Total Fire Protection Service Bonds	<u>\$15,300,000</u>	<u>\$ 10,575,289</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

Future debt service requirements for Fire and Rescue general obligation bonds outstanding at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,349,039	\$ 379,733	\$ 1,728,772
2010	1,469,180	337,827	1,807,007
2011	1,590,279	283,618	1,873,897
2012	1,666,791	224,090	1,890,881
2013	1,025,000	160,433	1,185,433
2014-2018	3,475,000	337,273	3,812,273
Total Fire Protection Service Bonds	<u>\$10,575,289</u>	<u>\$ 1,722,974</u>	<u>\$ 12,298,263</u>

Special Source Revenue Bonds

Primary Government

Primary Government Special Source Revenue Bonds payable at June 30, 2008, consist of the following:

Issue Date	Title of Issues	Original Principal	Principal Outstanding
April 17, 2008	Special Source Refunding Bond Series 2008, 6.08% annual interest, annual principal and interest payments beginning in 2009, all outstanding principal and interest due in 2023	\$ 4,000,000	\$ 4,000,000
June 19, 2003	Special Source Revenue Bond Series 2003B, 3.69% annual interest, annual principal and interest payments beginning in 2004, matures 2013	2,700,000	1,460,768
	Total Revenue Bonds	<u>\$ 6,700,000</u>	<u>\$ 5,460,768</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

Future debt service requirements for Special Source Revenue bonds outstanding at June 30, 2008, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 451,800	\$ 286,441	\$ 738,241
2010	462,123	276,119	738,242
2011	483,495	254,747	738,242
2012	505,919	232,323	738,242
2013	529,448	208,794	738,242
2014-2018	1,292,196	772,636	2,064,832
2019-2023	1,735,787	329,047	2,064,834
Total Revenue Bonds	<u>\$5,460,768</u>	<u>\$ 2,360,107</u>	<u>\$ 7,820,875</u>

4. Note Payable

Primary Government

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
May 1, 2006	Enterprise financing agreement, 4.15% semiannual interest, semiannual principal and interest payments beginning in 2007, matures 2016.	<u>\$ 1,511,903</u>	<u>\$ 1,252,488</u>

Future debt service requirements for Note Payable at June 30, 2008, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 135,205	\$ 51,978	\$ 187,183
2010	140,816	46,367	187,183
2011	146,660	40,523	187,183
2012	152,746	34,437	187,183
2013	159,085	28,098	187,183
2014-2016	517,976	43,475	561,451
Total	<u>\$1,252,488</u>	<u>\$ 244,878</u>	<u>\$ 1,497,366</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

5. Capital Leases Payable

Primary Government

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

The assets acquired through capital leases are as follows:

Building and improvements	\$ 1,936,471
Less accumulated depreciation	<u>(172,368)</u>
	<u>\$ 1,764,103</u>

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

The remaining lease payments as of June 30, 2008, are as follows:

Year Ending June 30,	Amount
2009	\$ 119,515
2010	119,515
2011	119,515
2012	119,515
2013	119,515
2014-2018	<u>597,575</u>
Total minimum lease payments	1,195,150
Less amount representing interest	<u>(266,430)</u>
Present value of capital lease payments	<u>\$ 928,720</u>

Total interest paid on the building and improvements obligations for the year ended June 30, 2008, was approximately \$45,229.

6. 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, 2008, there were an undetermined number of industrial revenue bonds and notes outstanding and the principal payable at June 30, 2008, could not be determined.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

7. Defeasance of Debt

During the year the County issued \$4,000,000 of Special Source Revenue Bonds. Of the proceeds, \$1,314,241 was used to refund the balance of the Series A 2003 Special Source Revenue Bond. The refunding was undertaken to reduce the interest rate and extend payment terms of debt issued with a balloon payment provision maturing in 2009. The refunding results in an increase in debt service payments over the next fifteen years of \$581,604 and an economic loss (difference between the present values of old and new debt service payments) of approximately \$580,000.

8. 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 \$278,356 reported as an accrual for landfill closure and postclosure care costs at June 30, 2008, 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	
25 years	34.02%	\$ 744,072	\$ 74,624	\$ 818,696	\$ 540,340

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2008. Actual cost may be higher due to inflation, changes in technology or changes in regulations. Council has designated \$320,844 for payment of closure and postclosure care costs.

H. PENDING GASB STATEMENTS

The GASB issued the following statements:

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, 2009. The effects of implementation of GASB Statement No. 45 on the financial statements have not been determined.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is effective for the County's year ending June 30, 2009. This statement requires recognition of a liability for the cost of existing pollution remediation activities such as site assessments and cleanups. The County will be required to measure the liability at the beginning of the 2009 fiscal year, and restate net assets, if applicable. Further implementation is prospective. The effect of implementation of the statement on the financial statements has not been determined.

Statement No. 51, *Accounting and Reporting for Intangible Assets*, which is effective for the County's year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by the GASB be classified as capital assets. The County is required to implement this statement retroactively, except for those assets considered to have indefinite useful lives, and those that would be considered internally generated. The effect of implementation of the Statement on the financial statements has not been determined.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

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.

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 6.5% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 9.06% 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.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

IV. OTHER INFORMATION (CONTINUED)

B. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, 2008, 2007, and 2006:

	Year Ended June 30,		
	2008	2007	2006
SCRS Contributions			
Primary Government	\$ 528,468	\$ 475,451	\$ 466,319
Fire and Rescue	21,018	18,526	21,220
Library	28,069	24,223	22,359
Alcohol and Drug	46,144	35,822	29,389
Total SCRS	<u>\$ 623,699</u>	<u>\$ 554,022</u>	<u>\$ 539,287</u>
SCPORS Contributions			
Primary Government	\$ 324,012	\$ 319,045	\$ 298,684
Fire and Rescue	335,678	302,044	248,612
Total SCPORS	<u>\$ 659,690</u>	<u>\$ 621,089</u>	<u>\$ 547,296</u>

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

C. DEFERRED COMPENSATION PLANS

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

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

Internal Revenue Code Section 401(k) Plan – The County also offers its 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. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

IV. OTHER INFORMATION (CONTINUED)

D. CONTINGENT LIABILITIES (CONTINUED)

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, 2008, was \$12,550.

F. COMMITMENTS

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

In addition to the related party leases (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, 2008, is \$107,202.

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, 2008, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2009	\$ 102,358
2010	81,181
2011	41,787
2012	<u>1,194</u>
	<u>\$ 226,520</u>

Construction Commitments - At June 30, 2008, the County had commitments under contracts for construction of various projects not completed of approximately \$36,300.

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, 2008, was set by County Council at 104.2 mills (\$104.20 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 11.4 mills for debt retirement, 101.44 mills for School District general operations, 44.5 mills for School District indebtedness, 29 mills for fire protection, and 18.4 mills for fire debt. The assessed valuation of properties, exclusive of vehicles (valued at \$15,699,296), within the County's boundaries as of December 31, 2006, was \$146,612,299, according to the records of the County Auditor and Assessor.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

IV. OTHER INFORMATION (CONTINUED)

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 their 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 five eligible participants, and post-retirement healthcare expense was \$11,196 for the year ended June 30, 2008.

Effective in fiscal year ending 2009 the County will be required to implement GASB Statement No. 45, which provides that costs for postemployment 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. OTHER MATTERS

During the year Colleton County School District (the District) requested that County Council provide funding in the amount of \$375,309 to cover a tax revenue shortage for the prior fiscal year ended June 30, 2007. County Council adopted an ordinance appropriating fund balance to fund the shortfall, contingent upon the District entering into an intergovernmental agreement. The terms of the agreement provide the following:

1. The District must acknowledge the funding to be a one-time dispersal, not to be considered a recurring appropriation or continuing obligation.
2. If the amount of tax revenues collected in future years falls short of projected tax revenues, the County shall not bear the burden of providing funds for the shortfall experienced in that year.
3. Any funds in excess of projected tax collections in future years shall be used to repay the funds advanced for the fiscal year 2007 shortfall.
4. Once the \$375,309 is repaid from excess collections in future years, any excess collections shall be placed in an escrow account and appropriated in future fiscal years to fund District operations, at the discretion of County Council.

J. SUBSEQUENT EVENTS

Subsequent to yearend Council approved various equipment purchases of approximately \$895,000 and awarded construction contracts of approximately \$600,000. In addition, the County received a federal grant award in the amount of \$1,250,000 to assist in the funding of buildings and infrastructure in an industrial park.

**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, 2008**

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Taxes	\$ 17,401,245	\$ 17,404,845	\$ 16,906,378	\$ (498,467)
Intergovernmental revenues	2,562,503	2,577,148	2,582,690	5,542
Licenses and permits	203,000	203,000	223,315	20,315
Fines, fees and service charges	1,497,075	1,497,075	1,515,693	18,618
Interest income	205,000	205,000	240,159	35,159
Other Income	6,000	29,120	144,633	115,513
Total revenues	21,874,823	21,916,188	21,612,868	(303,320)
Expenditures				
Current				
General government	6,841,906	6,761,566	6,092,378	669,188
Judicial	1,254,122	1,259,018	1,229,805	29,213
Public safety	8,447,070	8,692,230	8,615,030	77,200
Streets and highways	84,700	68,703	57,760	10,943
Recreation and culture	902,439	902,439	873,417	29,022
Health and human services	527,554	527,297	512,017	15,280
Economic development	271,373	271,373	236,444	34,929
Intergovernmental	-	375,309	375,309	-
Debt service				
Principal retirement	723,167	723,165	723,165	-
Interest and fiscal charges	21,000	21,132	21,129	3
Total expenditures	19,073,331	19,602,232	18,736,454	865,778
Excess (deficiency) of revenues over (under) expenditures	2,801,492	2,313,956	2,876,414	562,458
Other financing sources (uses)				
Transfers in	-	3,645	3,897	252
Transfers out	(2,801,492)	(2,692,910)	(2,692,910)	-
Total other financing sources (uses)	(2,801,492)	(2,689,265)	(2,689,013)	252
Net changes in fund balance	-	(375,309)	187,401	562,710
Fund balances				
Beginning of year	6,848,778	6,848,778	6,848,778	-
End of year	\$ 6,848,778	\$ 6,473,469	\$ 7,036,179	\$ 562,710

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, 2008**

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, 2008, 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 total appropriations or in personnel-related costs.

Budgets, as reported in the accompanying schedule, are as originally passed by ordinance and subsequently amended. During the year, supplementary appropriations were adopted in the amount of \$375,309 to provide for the expenditure of revenues collected in excess of budget. The budget amendments included increases and decreases within individual departments, and decreases in transfers to other funds.

The following adjustments were made for presentation purposes to the budget as adopted by Council:

	Original	Amended
Budgeted expenditures and transfers as adopted/amended	\$ 22,603,117	\$ 23,023,436
less costs incurred on behalf of		
- Alcohol and Drug Commission	(719,617)	(719,617)
- Airport Commission	(8,677)	(8,677)
	\$ 21,874,823	\$ 22,295,142

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue				
	Capital Improvements	Sheriff's Incentives	Special Grants	State Grant	Clerk of Court Unit Costs
Assets					
Cash and investments	\$ 703,868	\$ 4	\$ 747,324	\$ 14,771	\$ 8,048
Receivables, net of allowances					
Property taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	2,326	177,139	-	9,941
Temporarily restricted					
Cash and investments	-	-	-	-	-
Total assets	\$ 703,868	\$ 2,330	\$ 924,463	\$ 14,771	\$ 17,989
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other liabilities	-	254	19,269	-	1,142
Due to other funds	230,387	6,498	146,169	-	16,847
Deferred revenues	-	-	295,221	-	-
Total liabilities	230,387	6,752	460,659	-	17,989
Fund Balances (Deficit)					
Reserved for					
Capital projects	-	-	-	-	-
Unreserved					
Designated for					
Landfill closure	-	-	-	-	-
Undesignated, reported in					
Special revenue funds	473,481	(4,422)	463,804	14,771	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total fund balances (deficit)	473,481	(4,422)	463,804	14,771	-
Total liabilities and fund balances	\$ 703,868	\$ 2,330	\$ 924,463	\$ 14,771	\$ 17,989

Special Revenue

Clerk of Court Incentives	Victims Witness Services	Animal Care and Control	Emergency Telephone	County Promotion of Tourism Hospitality Tax	County Accommodations Tax	Public Defender
\$ 102,032	\$ 61,115	\$ 40,505	\$ 91,613	\$ 284,378	\$ 473,717	\$ 42,377
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	41,492	51,395	-
14,991	86	-	-	-	222	3,600
2,985	5,456	-	59,904	-	-	-
-	-	-	-	-	-	-
<u>\$ 120,008</u>	<u>\$ 66,657</u>	<u>\$ 40,505</u>	<u>\$ 151,517</u>	<u>\$ 325,870</u>	<u>\$ 525,334</u>	<u>\$ 45,977</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,507	-	1,812	-	2,333	5,780
-	-	213	8,461	-	-	-
-	-	-	-	-	-	-
-	1,507	213	10,273	-	2,333	5,780
-	-	-	-	-	-	-
-	-	-	-	-	-	-
120,008	65,150	40,292	141,244	325,870	523,001	40,197
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>120,008</u>	<u>65,150</u>	<u>40,292</u>	<u>141,244</u>	<u>325,870</u>	<u>523,001</u>	<u>40,197</u>
<u>\$ 120,008</u>	<u>\$ 66,657</u>	<u>\$ 40,505</u>	<u>\$ 151,517</u>	<u>\$ 325,870</u>	<u>\$ 525,334</u>	<u>\$ 45,977</u>

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue			
	Roads and Bridges	Solid Waste	Program Income Projects	Sheriff's Discretionary Funds
Assets				
Cash and investments	\$ 307,486	\$ 430,591	\$ -	\$ 293,265
Receivables, net of allowances				
Property taxes	-	-	-	-
Accounts	-	51,338	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	44,128	-	-
Temporarily restricted				
Cash and investments	-	320,844	-	-
Total assets	\$ 307,486	\$ 846,901	\$ -	\$ 293,265
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 367,533
Accrued payroll and related liabilities	19,126	14,390	-	-
Due to other funds	34,175	123,624	-	-
Deferred revenues	-	15,156	-	-
Total liabilities	53,301	153,170	-	367,533
Fund Balances (Deficit)				
Reserved for				
Capital projects	-	-	-	-
Unreserved				
Designated for				
Landfill closure	-	320,844	-	-
Undesignated, reported in				
Special revenue funds	254,185	372,887	-	(74,268)
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Total fund balances (deficit)	254,185	693,731	-	(74,268)
Total liabilities and fund balances	\$ 307,486	\$ 846,901	\$ -	\$ 293,265

 Capital Projects

Industrial Development	2005 Bond Fund	Government Bond 2002	SSRB Economic Development
\$ 344,177	\$ -	\$ -	\$ 366,834
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	309,454	-	-
<u>\$ 344,177</u>	<u>\$ 309,454</u>	<u>\$ -</u>	<u>\$ 366,834</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
107,523	174,254	-	-
-	-	-	-
<u>107,523</u>	<u>174,254</u>	<u>-</u>	<u>-</u>
-	135,200	-	366,834
-	-	-	-
-	-	-	-
236,654	-	-	-
-	-	-	-
<u>236,654</u>	<u>135,200</u>	<u>-</u>	<u>366,834</u>
<u>\$ 344,177</u>	<u>\$ 309,454</u>	<u>\$ -</u>	<u>\$ 366,834</u>

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

Page 3 of 3

	Debt Service			Total Nonmajor Governmental Funds
	County Debt Service	SSRB Canadays	Non GOB Debt Service	
Assets				
Cash and investments	\$ 1,091,109	\$ 839,074	\$ 4,063	\$ 6,246,351
Receivables, net of allowances				
Property taxes	1,618,163	-	-	1,618,163
Accounts	-	-	-	51,338
Other	-	-	-	92,887
Due from other funds	-	-	-	18,899
Due from other governments	6,188	-	-	308,067
Temporarily restricted				
Cash and investments	-	-	-	630,298
Total assets	\$ 2,715,460	\$ 839,074	\$ 4,063	\$ 8,966,003
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 367,533
Accrued payroll and related liabilities	-	-	-	65,613
Due to other funds	29,513	-	-	877,664
Deferred revenues	1,607,476	-	-	1,917,853
Total liabilities	1,636,989	-	-	3,228,663
Fund Balances (Deficit)				
Reserved for				
Capital projects	-	-	-	502,034
Unreserved				
Designated for				
Landfill closure	-	-	-	320,844
Undesignated, reported in				
Special revenue funds	-	-	-	2,756,200
Capital projects funds	-	-	-	236,654
Debt service funds	1,078,471	839,074	4,063	1,921,608
Total fund balances (deficit)	1,078,471	839,074	4,063	5,737,340
Total liabilities and fund balances	\$ 2,715,460	\$ 839,074	\$ 4,063	\$ 8,966,003

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	Special Revenue				
	Capital Improvements	Sheriff's Incentives	Special Grants	State Grant	Clerk of Court Unit Costs
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	16,187	872,826	-	115,465
Fines and fees	-	-	-	-	-
Interest income	42,726	2	14,721	-	91
Other income	-	-	135,154	-	-
Total revenues	<u>42,726</u>	<u>16,189</u>	<u>1,022,701</u>	<u>-</u>	<u>115,556</u>
Expenditures					
Current					
General government	92,537	-	20,000	-	-
Judicial	-	-	-	-	99,687
Public safety	82,280	16,820	431,394	-	-
Streets and highways	-	-	-	-	-
Sanitation	-	-	-	-	-
Recreation and culture	-	-	54,327	-	-
Health and human services	-	-	447,014	-	-
Economic development	-	-	5,000	-	-
Intergovernmental	-	-	-	-	-
Capital outlay	1,150,833	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>1,325,650</u>	<u>16,820</u>	<u>957,735</u>	<u>-</u>	<u>99,687</u>
Excess (deficiency) of revenues over expenditures	<u>(1,282,924)</u>	<u>(631)</u>	<u>64,966</u>	<u>-</u>	<u>15,869</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	47	-	-	-	-
Current refunding bond proceeds	-	-	-	-	-
Payment to refund debt	-	-	-	-	-
Insurance proceeds	4,800	-	-	-	-
Transfers in	325,000	-	256,317	-	-
Transfers out	-	-	-	-	(43,934)
Total other financing sources (uses)	<u>329,847</u>	<u>-</u>	<u>256,317</u>	<u>-</u>	<u>(43,934)</u>
Net changes in fund balances	<u>(953,077)</u>	<u>(631)</u>	<u>321,283</u>	<u>-</u>	<u>(28,065)</u>
Fund balances (deficit)					
Beginning of year	<u>1,426,558</u>	<u>(3,791)</u>	<u>142,521</u>	<u>14,771</u>	<u>28,065</u>
End of year	<u>\$ 473,481</u>	<u>\$ (4,422)</u>	<u>\$ 463,804</u>	<u>\$ 14,771</u>	<u>\$ -</u>

Special Revenue

Clerk of Court Incentives	Victims Witness Services	Animal Care and Control	Emergency Telephone	County Promotion of Tourism Hospitality Tax	County Accommodations Tax	Public Defender
\$ -	\$ -	\$ -	\$ -	\$ 427,509	\$ 326,133	\$ -
40,429	-	-	27,768	-	-	46,228
-	133,840	14,652	325,060	-	-	-
774	509	300	2,618	5,096	23,842	448
-	-	17,451	-	-	-	-
<u>41,203</u>	<u>134,349</u>	<u>32,403</u>	<u>355,446</u>	<u>432,605</u>	<u>349,975</u>	<u>46,676</u>
-	-	-	-	9,715	99,378	-
56,744	35,000	-	-	-	-	282,010
-	91,153	19,165	332,884	-	-	-
-	-	-	-	-	-	-
-	-	-	-	35,000	164,293	-
-	-	-	-	-	-	-
-	-	-	-	175,000	43,773	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>56,744</u>	<u>126,153</u>	<u>19,165</u>	<u>332,884</u>	<u>219,715</u>	<u>307,444</u>	<u>282,010</u>
(15,541)	8,196	13,238	22,562	212,890	42,531	(235,334)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
43,934	-	-	-	-	-	235,793
-	-	-	-	(187,184)	(119,516)	-
<u>43,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187,184)</u>	<u>(119,516)</u>	<u>235,793</u>
28,393	8,196	13,238	22,562	25,706	(76,985)	459
91,615	56,954	27,054	118,682	300,164	599,986	39,738
<u>\$ 120,008</u>	<u>\$ 65,150</u>	<u>\$ 40,292</u>	<u>\$ 141,244</u>	<u>\$ 325,870</u>	<u>\$ 523,001</u>	<u>\$ 40,197</u>

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	Special Revenue			
	Roads and Bridges	Solid Waste	Program Income Projects	Sheriff's Discretionary Funds
Revenues				
Taxes	\$ 895,558	\$ -	\$ -	\$ -
Intergovernmental revenues	-	88,966	-	41,652
Fees and service charges	-	498,889	-	18,343
Interest income	7,709	21,934	-	1,870
Other income	-	-	-	114
Total revenues	<u>903,267</u>	<u>609,789</u>	<u>-</u>	<u>61,979</u>
Expenditures				
Current				
General government	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	56,236
Streets and highways	1,554,308	-	-	-
Sanitation	-	2,110,483	-	-
Recreation and culture	-	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	66,455
Debt service	-	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,554,308</u>	<u>2,110,483</u>	<u>-</u>	<u>122,691</u>
Excess (deficiency) of revenues over expenditures	<u>(651,041)</u>	<u>(1,500,694)</u>	<u>-</u>	<u>(60,712)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	47,981
Current refunding bond proceeds	-	-	-	-
Payment to refund debt	-	-	-	-
Insurance proceeds	-	-	-	-
Transfers in	762,103	1,333,552	-	-
Transfers out	-	-	(250)	(19,856)
Total other financing sources (uses)	<u>762,103</u>	<u>1,333,552</u>	<u>(250)</u>	<u>28,125</u>
Net changes in fund balances	111,062	(167,142)	(250)	(32,587)
Fund balances (deficit)				
Beginning of year	<u>143,123</u>	<u>860,873</u>	<u>250</u>	<u>(41,681)</u>
End of year	<u>\$ 254,185</u>	<u>\$ 693,731</u>	<u>\$ -</u>	<u>\$ (74,268)</u>

Capital Projects

Industrial Development	2005 Bond Fund	Government Bond 2002	SSRB Economic Development
\$ 197,207	\$ -	\$ -	\$ -
-	-	-	-
14,461	22,287	-	10,970
-	-	4	-
<u>211,668</u>	<u>22,287</u>	<u>4</u>	<u>10,970</u>
106,860	-	-	-
-	16,242	-	-
-	-	-	-
-	-	-	-
60,000	-	-	-
147,839	-	-	-
-	937,061	-	-
-	-	-	-
-	-	-	-
<u>314,699</u>	<u>953,303</u>	<u>-</u>	<u>-</u>
<u>(103,031)</u>	<u>(931,016)</u>	<u>4</u>	<u>10,970</u>
-	-	-	-
-	-	-	-
-	-	-	-
(200,000)	-	(3,646)	-
<u>(200,000)</u>	<u>-</u>	<u>(3,646)</u>	<u>-</u>
(303,031)	(931,016)	(3,642)	10,970
<u>539,685</u>	<u>1,066,216</u>	<u>3,642</u>	<u>355,864</u>
<u>\$ 236,654</u>	<u>\$ 135,200</u>	<u>\$ -</u>	<u>\$ 366,834</u>

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

Page 3 of 3

	Debt Service			Total Nonmajor Governmental Funds
	County Debt Service	SSRB Canadays	Non GOB Debt Service	
Revenues				
Taxes	\$ 1,549,415	\$ 1,102,426	\$ -	\$ 4,498,248
Intergovernmental revenues	-	-	-	1,249,521
Fees and service charges	-	-	-	990,784
Interest income	46,279	17,996	1,555	236,188
Other income	-	-	-	152,723
Total revenues	1,595,694	1,120,422	1,555	7,127,464
Expenditures				
Current				
General government	2,310	-	-	330,800
Judicial	-	-	-	489,683
Public safety	-	-	-	1,029,932
Streets and highways	-	-	-	1,554,308
Sanitation	-	-	-	2,110,483
Recreation and culture	-	-	-	253,620
Health and human services	-	-	-	507,014
Economic development	-	-	-	152,839
Intergovernmental	-	-	-	218,773
Capital outlay	-	-	-	2,154,349
Debt service				
Principal retirement	1,127,295	473,947	200,655	1,801,897
Interest and fiscal charges	438,820	161,793	106,043	706,656
Total expenditures	1,568,425	635,740	306,698	11,310,354
Excess (deficiency) of revenues over expenditures	27,269	484,682	(305,143)	(4,182,890)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	48,028
Current refunding bond proceeds	-	1,314,241	-	1,314,241
Payment to refund debt	-	(1,314,241)	-	(1,314,241)
Insurance proceeds	-	-	-	4,800
Transfers in	-	-	306,700	3,263,399
Transfers out	-	-	-	(574,386)
Total other financing sources (uses)	-	-	306,700	2,741,841
Net changes in fund balances	27,269	484,682	1,557	(1,441,049)
Fund balances (deficit)				
Beginning of year	1,051,202	354,392	2,506	7,178,389
End of year	\$ 1,078,471	\$ 839,074	\$ 4,063	\$ 5,737,340

COLLETON COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 AGENCY FUNDS
 JUNE 30, 2008

	Sheriff	Water- shed	Transportation Committee	Tax Collector	Clerk of Court	Magistrates	Probate Judge	Firemen's Fund	Schools	Total
Assets										
Cash and investments	\$ 93,890	\$ 63	\$ 4,051,994	\$ 1,006,038	\$ 1,302,031	\$ 84,251	\$ 19,332	\$ 151,583	\$ 2,838,730	\$ 9,547,912
Accounts receivable	-	-	138,031	-	-	-	-	-	-	138,031
Total assets	\$ 93,890	\$ 63	\$ 4,190,025	\$ 1,006,038	\$ 1,302,031	\$ 84,251	\$ 19,332	\$ 151,583	\$ 2,838,730	\$ 9,685,943
Liabilities										
Assets held for others	\$ 93,890	\$ 63	\$ 4,190,025	\$ 1,006,038	\$ 1,302,031	\$ 84,251	\$ 19,332	\$ 151,583	\$ 2,838,730	\$ 9,685,943
Total liabilities	\$ 93,890	\$ 63	\$ 4,190,025	\$ 1,006,038	\$ 1,302,031	\$ 84,251	\$ 19,332	\$ 151,583	\$ 2,838,730	\$ 9,685,943

DISCRETELY PRESENTED COMPONENT UNITS

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY FIRE AND RESCUE COMMISSION
BALANCE SHEET
JUNE 30, 2008**

	General	Capital Projects	Debt Service	Total
Assets				
Cash and investments	\$ 751,532	\$ -	\$ 800,264	\$ 1,551,796
Receivables, net of allowances				
Property taxes	2,144,688	-	1,448,092	3,592,780
Accounts	341,817	-	-	341,817
Due from primary government	39,511	-	-	39,511
Due from other governments	9,400	-	5,530	14,930
Temporarily restricted assets				
Cash and investments	-	2,792,156	-	2,792,156
Total assets	\$ 3,286,948	\$ 2,792,156	\$ 2,253,886	\$ 8,332,990
Liabilities and Fund Balances				
Liabilities				
Accrued payroll and related liabilities	\$ 138,324	\$ -	\$ -	\$ 138,324
Due to primary government	-	9,378	73,221	82,599
Deferred revenues	2,353,389	-	1,414,677	3,768,066
Total liabilities	2,491,713	9,378	1,487,898	3,988,989
Fund Balances				
Reserved for capital projects	-	2,782,778	-	2,782,778
Unreserved, undesignated, reported in				
General fund	795,235	-	-	795,235
Debt service	-	-	765,988	765,988
Total fund balances	795,235	2,782,778	765,988	4,344,001
Total liabilities and fund balances	\$ 3,286,948	\$ 2,792,156	\$ 2,253,886	

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 \$13,555,361 and the accumulated depreciation is \$5,743,479.	7,811,882
Disbursements for insurance policies reflected in the funds cover periods extending beyond year-end.	80,931
Costs associated with the issuance of long-term debt are deferred and amortized over the term of the debt.	68,109
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	\$ (10,575,289)
Accrued interest	(169,332)
Compensated absences payable	(151,982)
	(10,896,603)
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	\$ 171,095
Fees for emergency medical services	261,677
	432,772
Net assets of governmental activities	\$ 1,841,092

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY FIRE AND RESCUE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2008**

	General	Capital Projects	Debt Service	Total
Revenues				
Taxes	\$ 2,595,205	\$ -	\$ 1,610,188	\$ 4,205,393
Intergovernmental revenues	2,862,780	-	-	2,862,780
Fines and fees	821,719	-	-	821,719
Interest income	15,332	14,110	15,663	45,105
Other income	7,811	-	-	7,811
Total revenues	6,302,847	14,110	1,625,851	7,942,808
Expenditures				
Current				
General government	-	51,425	-	51,425
Public safety	6,128,738	395,545	-	6,524,283
Capital outlay	300,277	1,002,038	-	1,302,315
Debt service				
Principal retirement	-	-	1,004,810	1,004,810
Interest and fiscal charges	-	-	288,828	288,828
Total expenditures	6,429,015	1,449,008	1,293,638	9,171,661
Excess (deficiency) of revenues over (under) expenditures	(126,168)	(1,434,898)	332,213	(1,228,853)
Other financing sources				
Insurance proceeds	156,414	82,280	-	238,694
Bond proceeds	-	4,000,000	-	4,000,000
Total other financing sources	156,414	4,082,280	-	4,238,694
Net changes in fund balance	30,246	2,647,382	332,213	3,009,841
Fund balances				
Beginning of year	764,989	135,396	433,775	1,334,160
End of year	\$ 795,235	\$ 2,782,778	\$ 765,988	\$ 4,344,001

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
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, 2008**

Net change in fund balances - total governmental funds **\$ 3,009,841**

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	\$ 1,363,374	
Depreciation expense	<u>(819,386)</u>	543,988

In the statement of activities, the gain or loss on disposal of capital assets (\$89,815) is reported. Conversely, governmental funds report only proceeds from disposal of capital assets (\$94,788). Thus, the change in net assets differs from the change in fund balance by cost of the capital assets sold.

Cost of capital assets	\$ (203,588)	
Accumulated depreciation	<u>99,228</u>	
Net book value		(104,360)

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	\$ (192,595)	
Fees for emergency medical services	(570,037)	

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

Property taxes	171,095	
Fees for emergency medical services	<u>261,677</u>	(329,860)

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:

General obligation debt issued	\$ (4,000,000)	
Principal repayments	1,004,810	
Bond issue costs incurred and amortized	<u>46,228</u>	(2,948,962)

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	\$ (20,775)	
Accrued interest	<u>(71,534)</u>	(92,309)

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.

		<u>13,244</u>
Change in net assets of governmental activities		<u><u>\$ 91,582</u></u>

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY MEMORIAL LIBRARY
BALANCE SHEET
JUNE 30, 2008**

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 69,123	\$ 6,181	\$ 75,304
Receivables	202	-	202
Due from primary government	2,836	-	2,836
Due from other governments	402	-	402
Total assets	<u>\$ 72,563</u>	<u>\$ 6,181</u>	<u>\$ 78,744</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,586	\$ -	\$ 1,586
Accrued payroll and other liabilities	8,704	-	8,704
Due to primary government	-	5,662	5,662
Total liabilities	<u>10,290</u>	<u>5,662</u>	<u>15,952</u>
Fund Balances			
Unreserved, undesignated, reported in			
General fund	62,273	-	62,273
Special revenue funds	-	519	519
Total fund balances	<u>62,273</u>	<u>519</u>	<u>62,792</u>
Total liabilities and fund balances	<u>\$ 72,563</u>	<u>\$ 6,181</u>	

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 \$1,925,902 and the accumulated depreciation is \$1,510,205.

415,697

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

5,304

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

(18,290)

Net assets of governmental activities

\$ 465,503

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY MEMORIAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2008**

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Intergovernmental revenues	\$ 533,434	\$ 86,094	\$ 619,528
Donations	35,748	-	35,748
Interest income	588	153	741
Other income	25,343	-	25,343
Total revenues	<u>595,113</u>	<u>86,247</u>	<u>681,360</u>
Expenditures			
Current			
Recreation and culture	558,070	86,094	644,164
Total expenditures	<u>558,070</u>	<u>86,094</u>	<u>644,164</u>
Net changes in fund balances	37,043	153	37,196
Fund balances			
Beginning of year	25,230	366	
End of year	<u>\$ 62,273</u>	<u>\$ 519</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	\$ 118,056	
Depreciation expense	<u>(158,971)</u>	(40,915)

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.

13,349

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

408

Expenses 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.

(736)

Change in net assets of governmental activities

\$ 9,302

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY MEMORIAL LIBRARY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
State lottery funds	\$ -	\$ 21,739	\$ 21,739	\$ -
County appropriation	511,195	511,195	511,195	-
Other grants	-	500	500	-
Fines and fees	-	-	25,343	25,343
Interest income	-	-	588	588
Donations	-	25,981	35,748	9,767
Total revenues	<u>511,195</u>	<u>559,415</u>	<u>595,113</u>	<u>35,698</u>
Expenditures				
Current				
Personnel costs	441,285	460,438	445,787	14,651
Administrative costs	31,584	60,172	64,641	(4,469)
Programs and materials	38,326	38,805	47,642	(8,837)
Total expenditures	<u>511,195</u>	<u>559,415</u>	<u>558,070</u>	<u>1,345</u>
Net changes in fund balance	-	-	37,043	37,043
Fund balances				
Beginning of year	18,764	18,764	25,230	(6,466)
End of year	<u>\$ 18,764</u>	<u>\$ 18,764</u>	<u>\$ 62,273</u>	<u>\$ 30,577</u>

OTHER FINANCIAL INFORMATION

COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
YEAR ENDED JUNE 30, 2008

Court fines, surcharges and assessments:	
Collected	\$ 2,402,576
Remitted to State Treasurer	<u>(1,265,366)</u>
Retained by County	<u>\$ 1,137,210</u>
Fines, surcharges and assessments retained by County:	
General fund	\$ 1,003,370
Victims advocate services	<u>133,840</u>
Total surcharges and assessments	<u>\$ 1,137,210</u>
Funds allocated to victims advocate service	
Carryover funds from prior year	\$ 56,954
Interest earned	509
Surcharges and assessments retained	133,840
Expenditures for victims advocate service	<u>(126,153)</u>
Total under expenditure of victims advocate service funds	<u>\$ 65,150</u>

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

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	\$ 248,422
Summer Food Service Program for Children	10.559	SF-134	<u>200,114</u>
Total U.S. Department of Agriculture			<u>448,536</u>
U.S. Department of Justice			
Direct			
Federal Equitable Sharing Program	16.000	N/A	<u>129,723</u>
State Criminal Alien Assistance Program	16.606	2006-F3089-SC-AP	2,712
State Criminal Alien Assistance Program	16.606	2008-AP-BX-0568	<u>1,539</u>
	Total 16.606		<u>4,251</u>
DOJ-COPS Grant 2006	16.710	2006CKWXO296	<u>680</u>
Edward Brynes Memorial Justice Assistance Grant (JAG)	16.738	2006-DJ-BX-0388	113
Edward Brynes Memorial Justice Assistance Grant (JAG)	16.738	1GO7023	<u>59,569</u>
	Total 16.738		<u>59,682</u>
Total U.S. Department of Justice			<u>194,336</u>
U.S. Department of Homeland Security			
Direct			
Citizens Corps Grant	97.067	6CCP01	<u>7,382</u>
2007 Emergency Management Performance Grant	97.042	7EMPG01	15,805
2008 Emergency Management Performance Grant	97.042	7EMPG02	5,624
2008 Emergency Management Performance Grant	97.042	8EMPG01	<u>4,536</u>
	Total 97.042		<u>25,965</u>
Assistance to Firefighters	97.044	EMW-2006-FG-10673	<u>390,375</u>
Total U.S. Department of Homeland Security			<u>423,722</u>
National Endowment for Humanities			
Passed through S.C. Humanities Council			
Promotion of the Humanities	45.129	CP-8-202-5	<u>500</u>

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

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	G80051T	\$ 51,425
Federal Financial Participation Cluster			
Family Preservation (CWS Part II)	93.556		1,972
Temporary Assistance for Needy Families - TANF Block Grant	93.558		44,096
Child Welfare Services - State Grant	93.645		2,723
Title IV-E Foster Care	93.658		8,234
Social Services Block Grant	93.667	Reimbursement from SCDHHS	11,081
Centers for Medicare and Medical Services (CMS)			
Medicaid Programs - Reimbursed by SCDHHS	93.778		15,286
USDA Food Nutrition Service (FNS)			
State Administration Matching Grant Food Stamp Program & FS Fraud	10.561		27,699
Child Care Development Fund	93.575		312
General/All State	93.596		12,368
Total Federal Financial Participation Cluster			123,771
Total U.S. Department of Health and Human Services			175,196
U.S. Department of Transportation			
Passed through SC Department of Public Safety			
Highway Safety Traffic Unit Grant	20.601	2H07016	45,572
Highway Safety Traffic Unit Grant	20.601	2H08016	96,441
	Total 20.601		142,013
Direct			
Hazardous Materials and Emergency			
Planning (HMEP) Grant	20.703	HMESC6042140	1,001
Planning (HMEP) Grant	20.703	HMESC7042150	1,839
	Total 20.703		2,840
Total U.S. Department of Transportation			144,853
National Oceanic and Atmospheric Administration, Department of Commerce			
Passed through S. C. Budget and Control Board			
South Carolina Geodetic Survey Grant	11.400		20,000
U.S. Department of Housing and Urban Development			
Passed through S. C. Department of Commerce			
CDBG QuickJobs Development Center	14.228	4-W-07-002	5,000
Total Expenditures of Federal Awards			\$ 1,412,143

The accompanying note is an integral part of this schedule.

COLLETON COUNTY, SOUTH CAROLINA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

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.

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, 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 **Colleton County, South Carolina's** basic financial statements and have issued our report thereon dated December 19, 2008. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Colleton County Commission on Alcohol and Drug Abuse, a discretely presented component unit, as described in our report on **Colleton County, South Carolina's** financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Colleton County, South Carolina's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the **Colleton County, South Carolina's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Colleton County, South Carolina's** internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **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 or other matters that are required to be reported under *Government Auditing Standards*.

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.

Welster Rogers LLP

Sumerville, South Carolina
December 19, 2008

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

Members of County Council
Colleton County, South Carolina
Walterboro, 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, 2008. **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 the **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 of the **Colleton County, South Carolina's** compliance with those requirements.

In our opinion, the **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, 2008.

Internal Control Over Compliance

The management of the **Colleton County, South Carolina**, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the **Colleton County, South Carolina's** internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the **Colleton County, South Carolina's** internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

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Honorable Mayor and Members of City Council
Colleton County, South Carolina
Page Two

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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.



Summerville, South Carolina
December 19, 2008

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes no X
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes none reported X

Noncompliance material to financial statements noted? ___ yes no X

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes no X
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes none reported X

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 no X

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.738	Edward Byrnes Memorial Justice Assistance Grant
97.044	Assistance to Firefighters Grant

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

Auditee qualified as low-risk auditee? yes no X

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

Section II - Financial Statements Findings

Ref #	Department/ Program/Grant	Finding/Noncompliance
NONE		

Section III - Federal Awards Findings and Questioned Costs

Ref #	Department/ Program/Grant	Finding/Noncompliance
NONE		

COLLETON COUNTY, SOUTH CAROLINA
SUMMARY OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008

Ref #	Department/ Program/Grant	Finding/Status
NONE		
