

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COLLETON COUNTY, SOUTH CAROLINA

JUNE 30, 2010

Colleton County, South Carolina

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the County Council
Colleton County, 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 (the "County") as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion 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 which represents 3.25 percent, 11.73 percent, and 4.14 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. 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 Colleton County Commission on Alcohol and Drug Abuse in the discretely presented component units, is based solely on the report of other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2010, and the respective changes in financial position, where applicable 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 March 30, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 23 and 76 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Colleton County, South Carolina's basic financial statements as a whole. The combining and nonmajor funds, fiduciary funds, and discretely presented component unit statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards 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. The combining and individual nonmajor funds financial statements, discretely presented component unit statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The Schedule of Court Fines, Assessments, and Surcharges listed in the table of contents under Other Financial Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Reznick Group, P.C.

Atlanta, Georgia
March 30, 2011

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010 (fiscal 2010). 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 \$29,998,525 as of June 30, 2010, compared to \$25,517,662 at the end of the previous fiscal year.
- The County's total General Fund liabilities at June 30, 2010, were \$22,562,033 compared to \$16,563,020 at the end of the previous fiscal year.
- As of the close of fiscal 2010, County governmental funds reported combined ending fund balances of \$15,964,343. This represents a decrease of \$1,371,561 or 7.91% from the prior fiscal year. Several offsetting factors contributed to this overall decrease. First, the fund balance for the general fund declined by \$1,518,150 primarily due to funding renovation work at the recreation center. Second, funds reserved for capital projects declined by \$1,282,496. The total of these two (or \$2,800,646) was offset by an increase in special revenue fund balance of \$1,319,425. The composition of fund balances at June 30, 2010, was as follows:

Major Funds		
General Fund		
Unreserved and available for governmental operations	\$ 7,433,900	46.57%
Reserved for prepaid expenses	2,592	0.02%
Nonmajor Funds		
Capital Projects Fund		
Economic Development and Capital Improvements Fund		
Reserved for future capital expenditures	1,825,429	11.43%
Special Revenue Funds		
Designated for future landfill post-closure	356,323	2.23%
Undesignated	4,019,392	25.18%
Capital Projects Fund		
Reserved for future capital expenditures		
Undesignated	227,386	1.42%
Debt Service funds available for future General Obligation Bond payments	2,099,321	13.15%
	<u>\$ 15,964,343</u>	<u>100.00%</u>

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

- During fiscal 2010 the County's long-term debt position decreased by \$687,634 or 4.34%.

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

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 27 to 29 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, 2010. 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.

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

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 30 to 35, 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 one major fund, the Colleton County General 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 80 to 95 of this report.

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

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 36 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 37 to 74 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 \$43,106,099 at June 30, 2010, as compared to \$38,876,500 at June 30, 2009.

\$26,613,252 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, 2010, as compared to \$24,511,294 at June 30, 2009.

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, 2010, the County has net assets restricted for Debt Service in the amount of \$2,099,321 as compared to \$1,335,143 restricted at June 30, 2009.

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

	Governmental Activities	
	2010	2009
Assets		
Current and other assets	\$ 42,187,149	\$ 36,936,038
Capital assets	40,518,313	36,227,809
Total assets	82,705,462	73,163,847
Liabilities		
Long-term liabilities outstanding	15,146,294	15,833,928
Other liabilities	24,453,069	18,453,420
Total liabilities	39,599,363	34,287,348
Net Assets		
Investment in capital assets, net of related del	26,613,252	24,511,294
Restricted		
Debt service	2,099,321	1,335,143
Capital improvements	3,371,203	3,200,469
Judicial	138,186	
Public safety	407,433	236,884
Tourism	907,488	908,900
Recreation	(7,309)	
Roads and bridges	331,674	327,294
Solid waster	661,953	521,259
Grant related provisions	300,509	574,301
Unrestricted	8,282,389	7,260,956
Total net assets	\$ 43,106,099	\$ 38,876,500

At June 30, 2010, \$392,195 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 an increase of 4.88% 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.

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

**CHANGES IN NET ASSETS (RECAPPED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenues		
Charges for services	\$ 3,977,281	\$ 3,456,527
Operating grants and contributions	3,225,446	1,561,311
Capital grants and contributions	621,186	440,452
General Revenues		
Property taxes	13,712,510	14,626,140
Other taxes	9,286,666	8,564,653
Grants and contributions not restricted to specific programs	1,755,788	2,174,986
Unrestricted revenue	52,452	132,325
Gain on sale of capital assets	95,889	45,728
Miscellaneous/other income	108,356	47,202
Special item	-	-
Total revenue	<u>32,835,574</u>	<u>31,049,324</u>
Expenses		
Governmental Activities		
General government	6,593,093	6,646,119
Judicial	1,973,222	2,137,323
Public safety	10,232,152	10,634,142
Streets and highways	1,774,066	2,302,900
Sanitation	1,730,522	2,124,328
Recreation and culture	1,285,985	1,182,007
Health and human services	1,084,829	1,172,954
Economic development	259,688	637,276
Intergovernmental	250,113	262,917
Interest and fiscal charges	3,422,305	740,453
Total expenses	<u>28,605,975</u>	<u>27,840,419</u>
Increase in net assets	4,229,599	3,208,905
Net assets beginning of year	38,876,500	35,667,595
Net assets end of year	<u>\$ 43,106,099</u>	<u>\$ 38,876,500</u>

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

Required Supplementary Information – Required Supplementary Information includes the Budgetary Comparison Schedule presented on pages 76 to 78 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, 2010, as compared to June 30, 2009:

**GOVERNMENTAL FUND BALANCES
JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>% Total</u>
Reserved				
Prepays	\$ 2,592	\$ -	\$ 2,592	0.02%
Capital projects	-	1,825,429	1,825,429	11.43%
Unreserved				
Designated for postclosure landfill costs	-	356,323	356,323	2.23%
Undesignated, report in:				
General fund	7,433,900	-	7,433,900	46.57%
Special revenue funds	-	4,019,392	4,019,392	25.18%
Capital project funds	-	227,386	227,386	1.42%
Debt service funds	-	2,099,321	2,099,321	13.15%
Total fund balances	\$ 7,436,492	\$ 8,527,851	\$ 15,964,343	100.00%

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

**GOVERNMENTAL FUND BALANCES
JUNE 30, 2009**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>% Total</u>
Reserved				
Prepays	\$ 7,092	\$ -	\$ 7,092	0.04%
Capital projects	-	3,107,925	3,107,925	18.36%
Unreserved				
Designated for postclosure landfill costs	-	348,042	348,042	1.99%
Undesignated, report in:				
General fund	8,947,550	-	8,947,550	51.33%
Special revenue funds	-	2,699,967	2,699,967	15.49%
Capital project funds	-	148,078	148,078	0.88%
Debt service funds	-	2,077,250	2,077,250	11.91%
Total fund balances	\$ 8,954,642	\$ 8,381,262	\$ 17,335,904	100.00%

Economic Development and Capital Improvement Fund: At June 30, 2010 \$363,727 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, 2010, \$1,318,388 was available for appropriation by County Council, which represents an increase of 80.71% as compared to \$729,542 available for appropriation at June 30, 2009.

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 \$856,009 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, 2010, as compared to \$894,303 for June 30, 2009.

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

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

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, 2011, budget, the amount needed to sustain operations without borrowing funds is projected to be at a minimum of \$5.7 million or approximately 63.66% of the total June 30, 2010, 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.

General Fund Budgetary Highlights

The County's General Fund Budget was originally balanced for the fiscal year ending June 30, 2010, with a \$1,900,000 fund balance appropriation and with expenditures totaling \$23,707,868. As amended, the final budget included additional fund balance appropriations of \$108,736, budgeted expenditures of \$25,514,627 and a \$2,008,735 budgeted deficit. The County however, completed fiscal 2009 with a \$1,518,278 deficit. Strong spending constraints produced a favorable \$341,854 expenditure variance and increased tax revenue collections produced a \$132,218 favorable revenue variance. See the notes to the Budgetary Comparison Schedule on page 64 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, 2010, amounts to \$40,518,313 (net of accumulated depreciation) as compared to \$36,227,809 at June 30, 2009. 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 2010 include some of the following:

- Ongoing development of the County Commerce Center project
- Ongoing development of the Quick Jobs Center project

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

- Warsaw building renovations
- Vehicles for Public Safety, Public Works and Solid Waste acquired
- Heavy equipment for Public Works and Solid Waste acquired
- Equipment for Fire and Rescue acquired
- Additional Solid Waste convenience site construction completed
- Animal Shelter renovations

Additional information on the County's capital assets can be found on pages 41 to 43 in the notes to the financial statements.

Debt Administration – At June 30, 2010, Colleton County had total debt outstanding of \$14,282,205 compared to outstanding debt at June 30, 2009 totaling \$14,938,818, which represents a 4.40% decrease from the prior fiscal year. This decrease is related to the retirement of debt through the payment of the principal portion on the outstanding debt during the fiscal year June 30, 2010.

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. Colleton County is at 3.9% of its total assessed value which is 49% of the eight (8%) percent limit authorized by State Law.

The Colleton County Fire and Rescue Commission had total debt outstanding of \$7,757,069 at June 30, 2010 representing a 15.92% decrease from the June 30, 2009, outstanding debt of \$9,226,250. During fiscal 2009, 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.

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. A new Debt Rating was not requested during fiscal year 2010.

Economic Factors and Next Year's Budget

For fiscal year 2011, the South Carolina General Assembly passed budget cuts that included a \$165,788 reduction in the Local Government Fund (LGF) from the 2010 funding level.

Colleton County, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2010

Furthermore, for fiscal year 2012, the legislature anticipates reducing the LGF funding level by at least an additional 20%. This cut will reduce County revenue by \$318,000 in fiscal year 2012. Moreover, as a result of the 2010 census data, the distribution of the Local Government Fund will cause the County to lose additional LGF funding due to the change in the population distribution resulting in an additional \$13,000 in lost LGF revenue for fiscal year 2012. To summarize, over the fiscal years 2011 and 2012, the County will lose \$496,788 in Local Government Fund revenue.

If the County continues to experience revenue declines from the LGF and other sources, the ability of the County to offset those losses with other forms of income will be limited. Since Act 388 was passed by the state legislature in 2007, the ability of the County to manage its tax receipts is limited to the combination of population growth and inflation. The County intends to essentially stay the course and continue offsetting expected revenue softness with spending constraint.

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.

FINANCIAL STATEMENTS

Colleton County, South Carolina

STATEMENT OF NET ASSETS

June 30, 2010

	Component Units				Total
	Governmental Activities	Memorial Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse	
Assets					
Cash and cash equivalents	\$ 2,556,168	\$ 57,020	\$ 1,293	\$ 436,264	\$ 3,050,745
Investments	16,261,857	-	514,679	-	16,776,536
Receivables, net of allowances					
Property taxes	20,035,290	-	4,496,398	-	24,531,688
Account	149,907	-	911,848	-	1,061,755
Other	50,706	1,706	209,447	51,409	313,268
Interest	-	-	-	3,397	3,397
Due from component units	6,747	-	-	-	6,747
Due from primary government	-	5,053	403,531	-	408,584
Due from other funds	1,057,953	-	-	-	1,057,953
Due from other governments	1,419,810	402	16,009	52,687	1,488,908
Prepays and deposits	209,349	5,344	87,299	-	301,992
Bond issuance costs, net	47,167	-	52,577	-	99,744
Temporarily restricted assets					
Cash and investments	392,195	-	1,010,090	-	1,402,285
Capital assets					
Nondepreciable					
Land	6,042,382	-	323,269	-	6,365,651
Construction in progress	830,569	-	-	-	830,569
Assets held for resale	4,640,776	-	-	-	4,640,776
Depreciable, net of accumulated depreciation	29,004,586	327,211	7,782,005	325	37,114,127
Total assets	<u>\$ 82,705,462</u>	<u>\$ 396,736</u>	<u>\$ 15,808,445</u>	<u>\$ 544,082</u>	<u>\$ 99,454,725</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 1,096,242	\$ -	\$ 178,961	\$ 9,060	\$ 1,284,263
Accrued liabilities	467,789	14,341	159,330	-	641,460
Due to primary government	-	-	-	6,747	6,747
Due to other funds	1,057,953	-	-	-	1,057,953
Due to agency funds	2,606,829	-	-	-	2,606,829
Due to component unit	408,584	-	-	-	408,584
Due to other governments	146,577	-	-	-	146,577
Due to third parties	376,994	-	-	-	376,994
Unearned revenues	17,800,990	14,398	3,970,842	-	21,786,230
Accrued interest	207,113	-	92,548	-	299,661
OPEB obligation	283,998	7,612	87,538	-	379,148
Noncurrent liabilities					
Due within one year	2,367,805	3,149	1,626,592	5,348	4,002,894
Due in more than one year	12,778,489	14,185	6,298,537	26,127	19,117,338
Total liabilities	<u>39,599,363</u>	<u>\$ 53,685</u>	<u>\$ 12,414,348</u>	<u>47,282</u>	<u>52,114,678</u>
Net assets					
Invested in capital assets, net of related debt	26,613,252	327,211	1,358,282	-	28,298,745
Restricted for					
Debt Service	2,099,321	-	866,158	-	2,965,479
Capital improvements	3,371,203	-	1,016,167	50,000	4,437,370
Judicial	138,186	-	-	-	138,186
Public safety	407,433	-	-	-	407,433
Tourism	907,488	-	-	-	907,488
Recreation	(7,309)	-	-	-	(7,309)
Roads and bridges	331,674	-	-	-	331,674
Solid waste	661,953	-	-	-	661,953
Grant provisions	300,509	-	-	-	300,509
Unrestricted	8,282,389	15,840	153,490	446,800	8,898,519
Total net assets	<u>43,106,099</u>	<u>343,051</u>	<u>3,394,097</u>	<u>496,800</u>	<u>47,340,047</u>
Total liabilities and net assets	<u>\$ 82,705,462</u>	<u>396,736</u>	<u>\$ 15,808,445</u>	<u>\$ 544,082</u>	<u>\$ 99,454,725</u>

See notes to basic financial statements

Colleton County, South Carolina

STATEMENT OF ACTIVITIES

Year ended June 30, 2010

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities				
General government	\$ 6,593,093	\$ 461,919	\$ 185,555	\$ -
Judicial	1,973,222	845,808	499,275	
Public safety	10,232,152	149,508	806,814	331,307
Streets and highways	1,774,066	979,340	882,042	
Sanitation	1,730,522	1,106,419	31,308	
Recreation and culture	1,285,985	-	637,079	
Health and human services	1,084,829	139,036	68,054	24,162
Economic development	259,688	295,251	115,319	265,717
Intergovernmental	250,113	-	-	-
Interest and fiscal charges	3,422,305	-	-	-
Total governmental activities	<u>28,605,975</u>	<u>3,977,281</u>	<u>3,225,446</u>	<u>621,186</u>
Component Units				
Memorial Library	714,746	22,346	126,055	-
Fire and Rescue Commission	8,225,631	1,156,588	43,050	421,663
Commission on Alcohol and Drug Abuse	862,774	100,411	792,373	-
Total component units	<u>\$ 9,803,151</u>	<u>\$ 1,279,345</u>	<u>\$ 961,478</u>	<u>\$ 421,663</u>

(continued)

Colleton County, South Carolina

STATEMENT OF ACTIVITIES - CONTINUED

Year ended June 30, 2010

	<u>Component Units</u>			
	<u>Governmental Activities</u>	<u>Memorial Library</u>	<u>Fire and Rescue Commission</u>	<u>Commission on Alcohol and Drug Abuse</u>
\$ (5,945,619)				
(628,139)				
(8,944,523)				
87,316				
(592,795)				
(648,906)				
(853,577)				
416,599				
(250,113)				
<u>(3,422,305)</u>				
(20,782,062)				
	\$ (566,345)	\$ -	\$ -	
	-	(6,604,330)	-	30,010
	<u>(566,345)</u>	<u>(6,604,330)</u>	<u>-</u>	<u>30,010</u>

	<u>Component Units</u>			
	<u>Governmental Activities</u>	<u>Memorial Library</u>	<u>Fire and Rescue Commission</u>	<u>Alcohol and Drug Abuse</u>
General revenues				
Taxes:				
Property	13,712,510	-	3,169,745	-
Vehicle	1,328,708			
Manufacturers	56,100	-	24,304	-
Homestead	768,199	-	269,665	-
Motor carrier	92,653	-	21,167	-
Delinquent	2,509,041	-	916,572	-
Local option sales tax	1,940,340	-	-	-
Fees in-lieu of taxes	1,048,064	-	291,524	-
Local accommodations	391,862	-	-	-
Hospitality	340,699	-	-	-
Sales tax	684,978	-	-	-
Inventory	53,940			
Franchise fees	72,082	-	-	-
Grants and contributions not restricted to specific programs	1,755,788	525,656	2,452,198	-
Unrestricted revenue from use of money and property	52,452	3,684	-	10,034
Gain on sale of assets	95,889	-	24,621	-
Miscellaneous	108,356	932	53,293	-
Total general revenues	<u>25,011,661</u>	<u>530,272</u>	<u>7,223,089</u>	<u>10,034</u>
Change in net assets	4,229,599	(36,073)	618,759	40,044
Net assets - beginning of year	<u>38,876,500</u>	<u>379,124</u>	<u>2,775,338</u>	<u>456,756</u>
Net assets - end of year	<u>\$ 43,106,099</u>	<u>\$ 343,051</u>	<u>\$ 3,394,097</u>	<u>\$ 496,800</u>

See notes to the basic financial statements

Colleton County, South Carolina

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,603,389	\$ 952,779	\$ 2,556,168
Investments	9,388,765	6,873,092	16,261,857
Receivables, net of allowances			
Property taxes	17,641,960	2,393,330	20,035,290
Accounts	46,616	103,291	149,907
Other	46,035	4,671	50,706
Due from other funds	160,731	897,222	1,057,953
Due from component units	6,747	-	6,747
Due from other governments	1,099,633	320,177	1,419,810
Prepaid expenses	2,592	-	2,592
Temporarily restricted			
Cash and investments	<u>2,057</u>	<u>390,138</u>	<u>392,195</u>
Total assets	<u>\$ 29,998,525</u>	<u>\$ 11,934,700</u>	<u>\$ 41,933,225</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 540,650	\$ 555,592	\$ 1,096,242
Accrued payroll and other liabilities	367,710	100,079	467,789
Due to other funds	897,222	160,731	1,057,953
Due to component units	408,584	-	408,584
Due to other governments	146,577	-	146,577
Due to third parties	314,209	62,785	376,994
Due to agency funds	2,606,829	-	2,606,829
Deferred revenue	<u>17,280,252</u>	<u>2,527,662</u>	<u>19,807,914</u>
Total liabilities	<u>22,562,033</u>	<u>3,406,849</u>	<u>25,968,882</u>
Fund balances			
Reserved for			
Prepays	2,592	-	2,592
Capital Projects	-	1,825,429	1,825,429
Unreserved	-	-	-
Designated for			
Landfill postclosure	-	356,323	356,323
Undesignated, reported in			
General fund	7,433,900	-	7,433,900
Special revenue funds	-	4,019,392	4,019,392
Capital projects funds	-	227,386	227,386
Debt service funds	-	<u>2,099,321</u>	<u>2,099,321</u>
Total fund balance	<u>7,436,492</u>	<u>8,527,851</u>	<u>15,964,343</u>
Total liabilities and fund balance	<u>\$ 29,998,525</u>	<u>\$ 11,934,700</u>	<u>\$ 41,933,225</u>

See notes to the financial statements

Colleton County, South Carolina

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS

June 30, 2010

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

Total fund balances - governmental funds \$ 15,964,343

Amounts reported for governmental activities in the statement of net

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in governmental
funds.

Cost of capital assets	\$ 60,541,087	
Accumulated depreciation	<u>(20,022,774)</u>	
		40,518,313

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds.

Property taxes	1,742,328	
Other	<u>264,596</u>	
		2,006,924

Disbursements for insurance coverage reflected in the funds cover
periods extending beyond year-end. 206,757

Costs associated with the issuance of long-term debt are deferred and
amortized over the term of the debt. 47,167

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

General obligation bonds	(7,006,936)	
Note payable	(976,468)	
Special source revenue bonds	(4,546,844)	
Capital leases	(1,751,957)	
Compensated absences	(567,473)	
Landfill closure and post closure cost	(296,616)	
Accrued interest	(207,113)	
OPEB obligation	<u>(283,998)</u>	
		<u>(15,637,405)</u>

Total net assets - governmental activities		<u>\$ 43,106,099</u>
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See notes to the basic financial statements

Colleton County, South Carolina

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

Year ended June 30, 2010

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Taxes	\$ 18,615,402	\$ 5,244,348	\$ 23,859,750
Intergovernmental revenues	2,099,195	2,584,830	4,684,025
Fines, fees, and service charges	1,295,345	928,076	2,223,421
Interest income	44,788	52,450	97,238
Other income	41,353	98,331	139,684
Total revenue	<u>22,096,083</u>	<u>8,908,035</u>	<u>31,004,118</u>
Expenditures			
Current			
General government	6,962,808	902,590	7,865,398
Judicial	1,217,078	745,619	1,962,697
Public safety	6,809,676	2,525,433	9,335,109
Streets and highways	64,335	2,647,630	2,711,965
Sanitation	-	1,750,312	1,750,312
Recreation and culture	76,103	682,626	758,729
Health and human services	484,507	624,539	1,109,046
Economic development	222,476	2,621,766	2,844,242
Intergovernmental	2,977,854	250,113	3,227,967
Capital outlay			
General government	-	5,256	5,256
Recreation and culture	-	57,853	57,853
Debt service			
Principal retirement	-	1,632,045	1,632,045
Interest and fiscal charges	-	675,223	675,223
Total expenditures	<u>18,814,837</u>	<u>15,121,005</u>	<u>33,935,842</u>
Excess (deficiency) of revenue over (under) expenditures	3,281,246	(6,212,970)	(2,931,724)
Other financing sources (uses)			
Proceeds from lease purchase	1,462,500	-	1,462,500
Proceeds from sale of capital assets	-	9,441	9,441
Insurance proceeds	71,040	16,332	87,372
Transfers in	25,000	7,576,471	7,601,471
Transfers out	(6,357,936)	(1,242,685)	(7,600,621)
Total other financing sources (uses)	<u>(4,799,396)</u>	<u>6,359,559</u>	<u>1,560,163</u>
Net change in fund balance	(1,518,150)	146,589	(1,371,561)
Fund Balances			
Beginning of year	8,954,642	8,381,262	17,335,904
End of year	<u>\$ 7,436,492</u>	<u>\$ 8,527,851</u>	<u>\$ 15,964,343</u>

See notes to basic financial statements

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Colleton County, South Carolina

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2010

Total net change in fund balances - total governmental funds \$ (1,371,561)

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 7,049,145	
Depreciation expense	<u>(2,755,260)</u>	4,293,885

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

Cost of capital assets	(103,801)	
Accumulated depreciation	<u>100,426</u>	
Net book value		(3,375)

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

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

Property taxes	(1,104,779)
Other	(113,884)

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

Property taxes	1,742,328
Other	<u>264,596</u>

788,261

(continued)

Colleton County, South Carolina

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - CONTINUED

Year ended June 30, 2010

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	(59,765)	
Landfill closure and postclosure cost	23,786	
OPEB obligation	(176,512)	
Accrued interest	<u>8,869</u>	(203,622)

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:		
General obligation bonds	951,199	
Note payable	140,816	
Special source revenue bond	462,124	
Capital leases	(897,524)	
Amortization of bond issue costs	<u>(6,144)</u>	650,471

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.

Adjustments of claims and judgements payable 67,000

Change in net assets of governmental activities \$ 4,229,599

See notes to the financial statements

Colleton County, South Carolina

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2010

	<u>Agency Funds</u>
Assets	
Cash and investments	\$ 10,532,249
Accounts receivable	<u>252,041</u>
Total assets	<u>\$ 10,784,290</u>
Liabilities	
Assets held for others	<u>\$ 10,784,290</u>
Total liabilities	<u>\$ 10,784,290</u>

See notes to the financial statements

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Colleton County, South Carolina (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board ("FASB") statements and interpretations issued on or before November 30, 1989 to its governmental activities at the government-wide financial reporting level, provided they do not conflict with or contradict GASB pronouncements. The most significant accounting principles utilized by the County are described below.

A. Reporting Entity

Colleton County, South Carolina (the County), is governed by a five-member County Council (the Council) under the Council-Administrator form of government, pursuant to the South Carolina Home Rule Act. Members of the 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 the 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 nonprofit 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.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 the 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 the Council. The Library is fiscally dependent upon the government because the 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 the 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 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 the 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 29488.

B. Government-wide and Fund 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 nonfiduciary 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

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 segments 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.

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 self-balancing set of accounts.

C. Measurement Focus and Basis of Accounting

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

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

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment of receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

The County reports the following major governmental funds:

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.

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 accounts for the accumulation of resources for, and payment of, long-term debt principal and interest. The County's Debt Service Fund was established and it 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 Cannadys 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 accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Additionally, the County reports the following fund types:

The **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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonable equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues report for the various functions concerned.

Amounts reported as program revenues include 1) charges for services provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is government'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.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 are held for trading purposes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Debt securities are reported at cost or amortized cost.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are no expendable available financial resources.

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 of the previous year. 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

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

4. Prepaid items

Certain payments to vendors for services that will benefit period beyond June 30, 2010 are recorded as prepaid items using the consumption method by recording the asset for the prepaid amount and reflecting the expenditure/expense in the year which services are consumed. Prepaid items of governmental funds in the fund financial statements are offset by an equal amount to indicate that they are not available for general appropriation.

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.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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:

	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. Compensated absences

It is the policy of the County and its component units to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. There is no liability

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

8. 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.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balances represent tentative management plans that are subject to change.

10. Claims and judgments

All claims and judgments are accrued in the government-wide financial statements when: 1) it is 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 FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 "invested in capital assets, net of related debt" or "restricted."

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.

11. 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.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the special revenue fund and the capital project funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fun, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council may make several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the general fund were not material.

B. 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.

C. Fund Equity Deficits

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

<u>Fund</u>	<u>Deficit</u>	<u>Resource for Elimination</u>
Special Revenue Funds		
Recreation center	<u>\$ 7,309</u>	Future revenues

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 3 - 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.

As of June 30, 2010, the County had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>
Repurchase agreements	\$ 19,464,682
Certificates of deposit	3,788,738
Total fair value	<u>\$ 23,253,420</u>

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.

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

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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, 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.

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.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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

	Fair Value at June 30, 2010	Percentage of Portfolio	Credit Rating
Repurchase agreements	\$ 19,464,682	69%	Unrated
Certificates of deposit	3,788,738	13%	N/A
Total investments	23,253,420		
Carrying value of cash in banks on hand	5,087,762	18%	N/A
Deposits and investments held by County Treasurer	\$ 28,341,182	100%	

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, 2010, the County's bank balance of \$20,011,251 was fully collateralized by pledging financial institutions trust departments 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.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

As of June 30, 2010, \$19,464,682 of investments was in repurchase agreements held by the counterparty or its trust department or agent for the County.

B. Receivables

Receivables as of year-end for the County's individual major fund and on nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government		Component Units		
	General	Nonmajor Funds	Fire and Rescue	Library	Alcohol and Drug Abuse
Receivables					
Taxes	\$ 18,888,413	\$2,651,641	\$ 4,886,482	\$ -	\$ -
Accounts	49,070	182,510	6,336,558	-	51,409
Interest	-	-	-	-	3,397
Other	46,035	4,671	209,447	1,706	-
Gross receivables	<u>18,983,518</u>	<u>2,838,822</u>	<u>11,432,487</u>	<u>1,706</u>	<u>54,806</u>
Less: allowance for uncollectibles					
Taxes	1,246,453	258,311	390,084	-	-
Accounts	2,454	79,219	5,424,710	-	-
Total allowance	<u>1,248,907</u>	<u>337,530</u>	<u>5,814,794</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 17,734,611</u>	<u>\$2,501,292</u>	<u>\$ 5,617,693</u>	<u>\$ 1,706</u>	<u>\$ 54,806</u>

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, 2010, the various components of deferred and unearned revenue reported in the governmental funds were as follows:

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 1,742,328	\$ -
Landfill charges and user fees	217,979	-
Other	46,617	-
Total unavailable	<u>2,006,924</u>	<u>-</u>
Unearned		
Contributions and grants recorded prior to meeting all eligibility requirements	225,455	225,455
Property taxes receivable	17,575,535	17,575,535
Total unearned	<u>17,800,990</u>	<u>17,800,990</u>
Total deferred revenues, governmental funds	<u>\$ 19,807,914</u>	
Total unearned revenues, government-wide		<u>\$ 17,800,990</u>

At June 30, 2010, the various components of deferred and unearned revenue report in the component units were as follows:

Fire and Rescue Fund

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 512,968	\$ -
Fees for emergency medical services	365,762	-
Total unavailable	<u>878,730</u>	<u>-</u>
Unearned		
Property taxes receivable	3,970,842	3,970,842
Total unearned	<u>3,970,842</u>	<u>3,970,842</u>
Total deferred revenues, governmental funds	<u>\$ 4,849,572</u>	
Total unearned revenues, government-wide		<u>\$ 3,970,842</u>

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Library Fund

	<u>Fund Statement</u>	<u>Government- wide</u>
Unavailable		
Property taxes receivable	\$ -	\$ -
Fees for emergency medical services	-	-
Total unavailable	<u>-</u>	<u>-</u>
Unearned		
Property taxes receivable	14,398	14,398
Total unearned	<u>14,398</u>	<u>14,398</u>
Total deferred revenues, governmental funds	<u>\$ 14,398</u>	
Total unearned revenues, government-wide		<u>\$ 14,398</u>

D. Interfund Receivables and Payables

The interfund receivables and payables at June 30, 2010, were as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Major governmental funds		
General	\$ 160,731	\$ 897,326
Nonmajor governmental funds	<u>897,326</u>	<u>160,731</u>
Total interfund balances	<u>\$1,058,057</u>	<u>\$1,058,057</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.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

E. Interfund Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following:

	<u>Transfer in</u>	<u>Transfer out</u>
Major governmental funds		
General	\$ 25,000	\$6,357,936
Nonmajor governmental funds	<u>7,576,471</u>	<u>1,242,685</u>
Total interfund balances	<u>\$7,601,471</u>	<u>\$7,600,621</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 FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Capital Assets

Primary government

Capital asset activity for the year ended June 30, 2010, is as follows:

	Balance July 1, 2009	Additions	Dispositions	Balance June 30, 2010
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 1,474,821	\$ 60,043	\$ -	\$ 1,534,864
Land - infrastructure	4,507,518	-	-	4,507,518
Asset held for sale	-	4,640,776	-	4,640,776
Construction in progress	5,104,489	2,565,950	6,839,870	830,569
Total capital assets not being depreciated	<u>11,086,828</u>	<u>7,266,769</u>	<u>6,839,870</u>	<u>11,513,727</u>
Capital assets being depreciated				
Buildings and improvements	18,914,668	869,339	-	19,784,007
Improvements other than buildings	1,835,652	2,008,837	-	3,844,489
Equipment and vehicles	13,835,695	2,862,021	103,801	16,593,915
Infrastructure	7,922,907	882,042	-	8,804,949
Total assets being depreciated	<u>42,508,922</u>	<u>6,622,239</u>	<u>103,801</u>	<u>49,027,360</u>
Accumulated depreciation				
Buildings and improvements	(4,741,132)	(805,565)		(5,546,697)
Improvements other than buildings	(1,093,284)	(135,092)		(1,228,376)
Equipment and vehicles	(8,689,736)	(1,418,923)	100,426	(10,008,233)
Infrastructure	(2,843,788)	(395,680)	-	(3,239,468)
Total accumulated depreciation	<u>(17,367,940)</u>	<u>(2,755,260)</u>	<u>100,426</u>	<u>(20,022,774)</u>
Total capital assets being depreciated, net	<u>25,140,982</u>	<u>3,866,979</u>	<u>204,227</u>	<u>29,004,586</u>
Governmental activities capital assets, net	<u>\$ 36,227,810</u>	<u>\$ 11,133,748</u>	<u>\$ 7,044,097</u>	<u>\$ 40,518,313</u>

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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

General Governmental Activities	
General government	\$ 471,323
Judicial	429,414
Public safety	761,168
Streets and highways	630,051
Sanitation	244,973
Recreation and culture	20,743
Health and human services	100,487
Economic development	52,958
Intergovernmental	44,143
Total governmental activity depreciation	<u>\$ 2,755,260</u>

Discretely Presented Component Units

Activity for the year ended June 30, 2010, is as follows:

	Balance July 1, 2009	Additions	Dispositions	Balance June 30, 2010
<u>Fire and Rescue Commission</u>				
Capital assets not being depreciated				
Land	\$ 296,562	\$ 26,707	\$ -	\$ 323,269
Construction in progress	298,197	-	298,197	-
Total capital assets not being depreciated	<u>594,759</u>	<u>26,707</u>	<u>298,197</u>	<u>323,269</u>
Capital assets being depreciated				
Buildings and improvements	3,985,462	-	-	3,985,462
Improvements other than buildings	120,972	17,690	-	138,662
Equipment and vehicles	10,637,809	698,698	-	11,336,507
Total capital assets being depreciated	<u>14,744,243</u>	<u>716,388</u>	<u>-</u>	<u>15,460,631</u>
Accumulated depreciation				
Buildings and improvements	(738,276)	(125,346)	-	(863,622)
Improvements other than buildings	(58,033)	(2,319)	-	(60,352)
Equipment and vehicles	(5,795,647)	(959,005)	-	(6,754,652)
Total accumulated depreciation	<u>(6,591,956)</u>	<u>(1,086,670)</u>	<u>-</u>	<u>(7,678,626)</u>
Total capital assets being depreciated, net	<u>8,152,287</u>	<u>(370,282)</u>	<u>-</u>	<u>7,782,005</u>
Fire and Rescue Commission capital assets, net	<u>\$ 8,747,046</u>	<u>\$ (343,575)</u>	<u>\$ 298,197</u>	<u>\$ 8,105,274</u>

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

	Balance July 1, 2009	Additions	Dispositions	Balance June 30, 2010
<u>Library</u>				
Capital assets being depreciated				
Buildings and improvements	\$ 119,026	\$ -	\$ -	\$ 119,026
Library materials	1,636,984	114,874	46,835	1,705,023
Equipment and vehicles	211,659	-	-	211,659
Total capital assets being depreciated	<u>1,967,669</u>	<u>114,874</u>	<u>46,835</u>	<u>2,035,708</u>
Accumulated depreciation				
Buildings and improvements	(117,102)	(1,924)	-	(119,026)
Library materials	(1,320,818)	(132,806)	46,835	(1,406,789)
Equipment and vehicles	(168,664)	(14,018)	-	(182,682)
Total accumulated depreciation	<u>(1,606,584)</u>	<u>(148,748)</u>	<u>46,835</u>	<u>(1,708,497)</u>
Library capital assets, net	<u>\$ 361,085</u>	<u>\$ (33,874)</u>	<u>\$ 93,670</u>	<u>\$ 327,211</u>
<u>Alcohol and Drug</u>				
Capital assets being depreciated				
Vehicles	\$ 56,618	\$ -	\$ -	\$ 56,618
Accumulated depreciation				
Vehicles	(52,426)	(3,867)	-	(56,293)
Alcohol and Drug capital assets, net	<u>\$ 4,192</u>	<u>\$ (3,867)</u>	<u>\$ -</u>	<u>\$ 325</u>

Depreciation expense incurred by the component units during the year ended June 30, 2010, was as follows:

Fire and Rescue	\$ 1,086,670
Library	<u>\$ 148,748</u>
Alcohol and Drug Abuse	<u>\$ 3,867</u>

F. Asset Held for Sale

As of June 30, 2010, a 100,000 square foot industrial building has been constructed and completed in the Colleton County Commerce Center for speculative purposes. Total cost of this asset is \$4,640,776 including land, building, and infrastructure improvement costs. The asset is considerate held for sale since the County currently has entered into a broker contract to sale the property for \$3,250,000 and has been given the County Council's authority to sale the property. Under accounting standard this asset will be separated from Capital Assets on the Statement of Net Assets and no depreciation will be taken on the asset since held for sale. To date the property is not sold and is still being actively marketed.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 purchases 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.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Compensated Absences Payable

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

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010, is as follows:

	Balance July 1, 2009	Additions	Dispositions	Balance June 30, 2010	Due within one year
Primary government					
<u>Governmental activities</u>					
Bonds					
General obligation	\$ 7,958,135	\$ -	\$ 951,199	\$ 7,006,936	\$ 1,021,336
Special source revenue	5,008,968	-	462,124	4,546,844	483,495
Capital leases	854,433	1,462,500	564,976	1,751,957	619,345
Note payable	1,117,284	-	140,816	976,468	146,880
Claims and judgments	67,000	-	67,000	-	-
Landfill closure and postclosure costs	320,402	-	23,786	296,616	-
Compensated absences	507,708	399,013	339,248	567,473	96,749
Total long-term liabilities	<u>\$ 15,833,930</u>	<u>\$ 1,861,513</u>	<u>\$ 2,549,149</u>	<u>\$ 15,146,294</u>	<u>\$ 2,367,805</u>
Component units					
<u>Fire and Rescue</u>					
General obligation bonds	\$ 9,226,250	\$ -	\$ 1,469,181	\$ 7,757,069	\$ 1,590,279
Compensated absences	161,617	130,849	124,406	168,060	36,313
Total Fire and Rescue long-term debt	<u>\$ 9,387,867</u>	<u>\$ 130,849</u>	<u>\$ 1,593,587</u>	<u>\$ 7,925,129</u>	<u>\$ 1,626,592</u>
<u>Library</u>					
Compensated absences	\$ 16,084	\$ 12,255	\$ 11,005	\$ 17,334	\$ 3,149
<u>Alcohol and Drug</u>					
Compensated absences	\$ 20,995	\$ 21,386	\$ 10,906	\$ 31,475	\$ 5,348

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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, 2010, 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, 2010:

General Obligation Bonds

Primary Government

Issue Date	Title of Issues	Original Principal	Principal Outstanding
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	\$ 1,310,000
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	446,937
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	5,250,000
	Total General Obligation Bonds	<u>\$ 12,200,000</u>	<u>\$ 7,006,937</u>

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Future debt service requirements for primary government general obligation bonds outstanding at June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,021,336	\$ 260,944	\$ 1,282,280
2012	1,095,601	220,370	1,315,971
2013	1,085,000	177,025	1,262,025
2014	1,355,000	136,370	1,491,370
2015	1,200,000	85,750	1,285,750
2016	1,250,000	43,750	1,293,750
Total General Obligation Bonds	<u>\$ 7,006,937</u>	<u>\$ 924,209</u>	<u>\$ 7,931,146</u>

Discreetly Presented Component Units

Fire and Rescue General Obligation Bonds payable at June 30, 2010, consist of the following:

Issue Date	Title of Issues	Original Principal	Principal Outstanding
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	932,070
September 1, 2002	Fire Protection Service General Obligation Bonds Series 2002B, 3.21% annual interest, annual principal and interest payments beginning 2003, matures 2010	2,400,000	600,000
October 15, 2003	Fire Protection Service General Obligation Bonds Series 2003, 3.0202% annual interest, annual principal and interest payments beginning 2004, matures 2013	2,500,000	900,000
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	1,950,000

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
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	3,375,000
	Total Fire Protection Service Bonds	<u>\$ 15,300,000</u>	<u>\$ 7,757,070</u>

Future debt service requirements for Fire and Rescue general obligation bonds outstanding at June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	775,000	124,248	899,248
2015	825,000	96,715	921,715
2016-2018	1,875,000	116,310	1,991,310
Total Fire Protection Service Bonds	<u>\$ 7,757,070</u>	<u>\$ 1,005,414</u>	<u>\$ 8,762,484</u>

Special Source Revenue Bonds

Primary Government

Primary Government Special Source Revenue Bonds payable at June 30, 2010, consist of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
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	\$ 3,638,837
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	908,007
	Total Revenue Bonds	<u>\$ 6,700,000</u>	<u>\$ 4,546,844</u>

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Future debt service requirements for Special Source Revenue bonds outstanding at June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 483,495	\$ 254,747	\$ 738,242
2012	505,919	232,323	738,242
2013	529,448	208,794	738,242
2014	228,865	184,101	412,966
2015	242,780	170,186	412,966
2016-2020	1,454,104	610,728	2,064,832
2021-2023	1,102,233	136,667	1,238,900
Total Revenue Bonds	<u>\$ 4,546,844</u>	<u>\$ 1,797,546</u>	<u>\$ 6,344,390</u>

H. 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% semi-annual interest, semi-annual principal and interest payments beginning in 2007, matures 2016	\$ 1,511,903	\$ 976,467
	Total Revenue Bonds	<u>\$ 1,511,903</u>	<u>\$ 976,467</u>

Future debt service requirements for Note Payable at June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 146,660	\$ 40,523	\$ 187,183
2012	152,746	34,437	187,183
2013	159,085	28,098	187,183
2014	165,687	21,496	187,183
2015	172,563	14,620	187,183
2016	179,826	7,359	187,185
Total	<u>\$ 976,567</u>	<u>\$ 146,533</u>	<u>\$ 1,123,100</u>

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 County has entered into a capital lease agreement, secured by equipment purchased, bearing interest at 1.65% with annual payments of \$499,830, maturing in March 2012.

The assets acquired through capital leases are as follows:

Building and improvements	\$ 1,936,471
Less accumulated depreciation	<u>(258,434)</u>
	<u>\$ 1,678,037</u>

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

Building and improvements	\$ 854,636
Less accumulated depreciation	<u>(516,239)</u>
	<u>\$ 338,397</u>

The remaining lease payments as of June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Lease 1</u>	<u>Lease 2</u>
2011	\$ 119,515	\$ 499,830
2012	119,515	499,830
2013	119,515	-
2014	119,515	-
2015	119,515	-
2016-2018	<u>358,545</u>	<u>-</u>
Total minimum lease payments	956,120	999,660
Less amount representing interest	<u>(179,593)</u>	<u>(24,230)</u>
Present value of capital lease payments	<u>\$ 776,527</u>	<u>\$ 975,430</u>

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Total interest paid on the building and improvements obligations for the year ended June 30, 2010, was approximately \$54,371.

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 \$296,616 reported as an accrual for landfill closure and postclosure care costs at June 30, 2010, 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	
20 years	32.36%	\$ 712,207	\$ 204,296	\$ 916,503	\$ 619,887

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2010. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Council has designated cash of \$356,323 for payment of closure and postclosure care costs.

Pending GASB Statements

Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions is effective for the County's year ending June 30, 2011.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 4 - 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 were 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

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.retirement.sc.gov, 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 9.24% 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 10.7% of annual covered payroll. The contribution requirements of Plan members and employers is established under authority of Title 9 of the S.C. Code of Laws.

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, 2010, 2009, and 2008:

	Year Ended June 30,		
	2010	2009	2008
SCRS Contributions			
Primary Government	\$ 771,430	\$ 644,924	\$ 528,468
Fire and Rescue	17,800	18,984	21,018
Library	30,215	29,935	28,069
Alcohol and Drug	44,361	48,015	46,144
Total SCRS	<u>\$ 863,806</u>	<u>\$ 741,858</u>	<u>\$ 623,699</u>
SCPORS Contributions			
Primary Government	\$ 390,918	\$ 384,676	\$ 324,012
Fire and Rescue	375,817	363,678	335,678
Total SCPORS	<u>\$ 766,735</u>	<u>\$ 748,354</u>	<u>\$ 659,690</u>

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

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 County'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.

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.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

E. Related Party

The County pays rent on a monthly basis to elected magistrates for use of the magistrates' homes as an office. As of June 30, 2010, the rental agreement has expired.

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, 2010, is \$123,643.

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, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 63,447
2012	30,863
2013	16,665
2014	10,897
2015	<u>1,200</u>
Total payments	<u>\$ 123,072</u>

Construction Commitments - At June 30, 2010, the County had commitments under contracts for construction of various projects not completed of approximately \$2,749,166.

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, 2010, was set by County Council at 107.5 mills (\$107.50 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 8.70 mills for debt retirement, 104.38 mills for School District general operations, 46.5 mills for School District

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

indebtedness, 29.84 mills for fire protection, and 20.50 mills for fire debt. The assessed valuation of properties, exclusive of vehicles (valued at \$14,378,402), within the County's boundaries as of December 31, 2007, was \$155,393,397, according to the records of the County Auditor and Assessor.

H. Other Postemployment Benefits

Plan Description:

The County administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the County's group health insurance plan, which covers both active and retired members. Benefit provisions are established by the County Council. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements are established annually by the County Council. The required contribution is based on projected pay-as-you-go financing requirements. Medical coverage levels and premiums for retirees and their families are the same as coverage provided to active County employees under the State Health Insurance Plan. Subject to an annual appropriation, the County pays 50 percent of individual coverage for individuals who:

- are at least 62 years of age,
- were employed by the County at the time of their retirement,
- had twenty years of qualifying full-time employment with the County,
- were covered by the County's health/dental insurance program, and
- retired under the South Carolina Retirement System or the South Carolina Police Officers' Retirement System.

The above individuals pay the remaining 50 percent of the premium for individual coverage and 100 percent of any premium for family coverage. Any person who retires from County employment meeting all requirements except age will qualify for the funded percentage of assistance upon reaching the age of 62, provided he or she has participated in the County's plan, paying 100% of the individual or family coverage in the interim.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

The State Health Insurance Plan prohibits its participants from separately rating retirees and active employees. The County, therefore, pays an equal blended rate premium for both groups. Although both groups are charged the same rate, GASB 45 requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separately from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability.

For fiscal year 2010, the County contributed \$7,060 to the plan, and total member contributions were \$114,026.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Retiree Health Plan, which have been allocated between the primary government and component units based on current payroll:

	Primary Government	Component Units		Total
		Fire and Rescue	Library	
Annual required contribution	\$ 128,912	\$ 39,533	\$ 3,438	\$ 171,883
Interest on net OPEB obligation				-
Adjustment to annual required contribution	52,895	16,221	1,410	70,526
Annual OPEB cost (expense)	181,807	55,754	4,848	242,409
Contributions made	(5,295)	(1,624)	(141)	(7,060)
Increase in net OPEB obligation	176,512	54,130	4,707	235,349
Net OPEB obligation - beginning of year	107,486	33,408	2,905	143,799
Net OPEB obligation - end of year	\$ 283,998	\$ 87,538	\$ 7,612	\$ 379,148

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
Primary Government			
6/30/2010	<u>\$ 181,087</u>	2%	<u>\$ 283,998</u>
Fire and Rescue			
6/30/2010	<u>\$ 55,754</u>	2%	<u>\$ 87,538</u>
Library			
6/30/2010	<u>\$ 4,848</u>	2%	<u>\$ 7,612</u>

Funded Status and Funding Progress. As of June 30, 2010, the actuarial accrued liability for benefits (AAL), all of which was unfunded, was as follows:

	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Plan Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Covered Payroll</u>	<u>Ratio of Underfunded AAL to Covered Payroll</u>
Primary government	\$ 890,428	\$ -	\$ 890,428	\$ 12,639,041	7.0%
Fire and Rescue	273,065	-	273,065	3,744,210	7.3%
Library	23,745	-	23,745	351,590	6.8%
Total Plan	<u>\$ 1,187,238</u>	<u>\$ -</u>	<u>\$ 1,187,238</u>	<u>\$ 16,734,841</u>	7.1%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since the County has elected to implement GASB 45 prospectively, the current year presents one year of information. Trend information will be presented in subsequent years as it becomes available.

Colleton County, South Carolina

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following information is provided using the assumption that the County will continue its current pay-as-you-go funding policy for the foreseeable future. In that scenario the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees. Under this funding policy, GASB 45 requires the use of a discount rate consistent with the expected investment returns on the County's general assets. The June 30, 2009, actuarial valuation assumed a 4.5 percent discount rate. The Projected Unit Credit, Level Percent of Payroll actuarial cost method was used to calculate the ARC for the June 30, 2009, valuation, and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements of .05 percent per year commencing in 2013 to an ultimate rate of 4.5 percent after ten years, which includes a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of active member payrolls over a period of 30 years. The remaining amortization period at June 30, 2010, was 28 years.

I. Subsequent Events

Events that occur after the net assets date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the net assets date require disclosure in the accompanying notes. Management evaluated the activity of the County through March 30, 2011 and concluded that subsequent to year end Council approved the issuance of a capital lease in the amount of \$2,500,000, bearing interest at 4.99%, payable in 20 annual payments, the proceeds to be used for the purchase of land, and the County purchased two additional parcel of land for \$221,947 for speculative purposes on December 20, 2010.

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

Colleton County, South Carolina

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Taxes	\$ 18,519,961	\$ 18,519,961	\$ 18,615,402	\$ 95,441
Intergovernmental revenues	1,861,137	2,008,558	2,099,195	90,637
Lincenses and permits	176,500	176,500	140,000	(36,500)
Fines, fees, and service charges	1,217,020	1,217,670	1,155,345	(62,325)
Interst income	25,100	25,100	44,788	19,688
Other income	8,150	16,076	41,353	25,277
Total revenues	21,807,868	21,963,865	22,096,083	132,218
Expenditures				
Current				
General government	7,936,796	7,598,529	6,962,808	635,721
Judicial	1,268,400	1,277,551	1,217,078	60,473
Public safety	6,532,262	6,818,793	6,809,676	9,117
Streets and highways	82,763	82,042	64,335	17,707
Recreation and culture	420,606	79,369	76,103	3,266
Health and human services	605,024	484,406	484,507	(101)
Economic development	231,263	233,568	222,476	11,092
Intergovernmental	2,977,854	2,977,854	2,977,854	-
Total expenditures	20,054,968	19,552,112	18,814,837	737,275
Excess (deficiency) of revenues over (under) expenditures	1,752,900	2,411,753	3,281,246	869,493
Other financing sources (uses)				
Lease/purchase proceeds	-	1,462,500	1,462,500	-
Insurace proceeds	-	54,527	71,040	16,513
Transfers in	-	25,000	25,000	-
Transfers out	(3,652,900)	(5,962,515)	(6,357,936)	(395,421)
Total other financing sources (uses)	(3,652,900)	(4,420,488)	(4,799,396)	(378,908)
Net changes in fund balance	(1,900,000)	(2,008,735)	(1,518,150)	490,585
Fund balances				
Beginning of year	7,029,179	7,029,179	8,954,642	2,145,591
End of year	<u>\$ 5,129,179</u>	<u>\$ 5,020,444</u>	<u>\$ 7,436,492</u>	<u>\$ 2,636,176</u>

Colleton County, South Carolina

NOTES TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year ended December 31, 2010

NOTE 1 – BUDGETARY COMPARISON

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, 2010, delinquent tax cash basis revenues were substantially the same as 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 the 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 the 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 the 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 %250 to provide for the Victims Witness Fund. 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 the Council:

	<u>Original</u>	<u>Amended</u>
Budgeted expenditures and transfers as adopted/amended	\$ 26,595,726	\$ 28,382,485
less costs incurred on behalf of		
Solicitor	2,200,000	2,200,000
Alcohol and Drug Commission	650,000	650,000
Airport Commission	17,858	17,858
	<u> </u>	<u> </u>
Budgeted expenditures and transfers as presented	<u>\$ 23,727,868</u>	<u>\$ 25,514,627</u>

Colleton County, South Carolina

SCHEDULE OF FUNDING PROGRESS

Year ended December 31, 2010

	Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Plan Assets (b)	Unfunded Actuarial Accrued Liability (a-b)	Funded Ratio (b/a)	Covered Payroll	Ratio of Underfunded AAL to Covered Payroll
Primary government	6/30/2009	\$ 890,428	\$ -	\$ 890,428	0%	\$ 12,639,041	7.0%
Fire and Rescue	6/30/2009	273,065	-	273,065	0%	3,744,210	7.3%
Library	6/30/2009	23,745	-	23,745	0%	351,590	6.8%
Total Plan	6/30/2009	<u>\$ 1,187,238</u>	<u>\$ -</u>	<u>\$ 1,187,238</u>	0%	<u>\$ 16,734,841</u>	7.1%

OTHER SUPPLEMENTARY FINANCIAL STATEMENTS

Colleton County, South Carolina

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

	Special Revenue		
	Capital Improvements	Sheriff's Title IV D	Special Revenue
Assets			
Cash and cash equivalents	\$ -	\$ 5,072	\$ 8,258
Investments	1,046,833	-	409,712
Receivables, net of allowances			
Property taxes	-	-	-
Accounts	-	-	-
Other	-	-	-
Due from other funds	344,532	-	180,440
Due from other governments	5,957	-	255,349
Temporarily restricted			
Cash and investments	-	-	-
Total assets	<u>\$ 1,397,322</u>	<u>\$ 5,072</u>	<u>\$ 853,759</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 78,934	\$ 27	\$ 301,620
Accrued payroll and other liabilities	-	355	27,793
Due to third parties			
Due to other funds	-	3,250	-
Deferred revenues	-	-	223,837
Total liabilities	<u>78,934</u>	<u>3,632</u>	<u>553,250</u>
Fund Balances (Deficit)			
Reserved for			
Capital projects	-	-	-
Unreserved			
Designated for			
Landfill postclosure	-	-	-
Undesignated, reported in			
Special revenue funds	1,318,388	1,440	300,509
Capital projects funds	-	-	-
Debt service funds	-	-	-
Total fund balances (deficit)	<u>1,318,388</u>	<u>1,440</u>	<u>300,509</u>
Total liabilities and fund balances	<u>\$ 1,397,322</u>	<u>\$ 5,072</u>	<u>\$ 853,759</u>

Colleton County, South Carolina

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2010

	Special Revenue		
	State Grants	Clerk of Court IV Unit Costs	Clerk of Court IV Incentives
Assets			
Cash and cash equivalents	\$ 14,771	\$ 31,893	\$ 130,361
Investments	-	-	-
Receivables, net of allowances			
Property taxes	-	-	-
Accounts	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	1,414
Temporarily restricted			
Cash and investments	-	-	-
Total assets	<u>\$ 14,771</u>	<u>\$ 31,893</u>	<u>\$ 131,775</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 1,084	\$ 1,551
Accrued payroll and other liabilities	-	3,265	-
Due to third parties			
Due to other funds	-	-	19,582
Deferred revenues	-	-	-
Total liabilities	<u>-</u>	<u>4,349</u>	<u>21,133</u>
Fund Balances (Deficit)			
Reserved for			
Capital projects	-	-	-
Unreserved			
Designated for			
Landfill postclosure	-	-	-
Undesignated, reported in			
Special revenue funds	14,771	27,544	110,642
Capital projects funds	-	-	-
Debt service funds	-	-	-
Total fund balances (deficit)	<u>14,771</u>	<u>27,544</u>	<u>110,642</u>
Total liabilities and fund balances	<u>\$ 14,771</u>	<u>\$ 31,893</u>	<u>\$ 131,775</u>

Colleton County, South Carolina

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2010

	Special Revenue		
	Victim Witness Services	Animal Care and Control Donations	Emergency Telephone
Assets			
Cash and cash equivalents	\$ 50,663	\$ 69,625	\$ -
Investments	-	-	248,476
Receivables, net of allowances			
Property taxes	-	-	-
Accounts	-	-	-
Other	-	295	-
Due from other funds	1,227	749	688
Due from other governments	-	985	50,074
Temporarily restricted			
Cash and investments	-	-	-
Total assets	<u>\$ 51,890</u>	<u>\$ 71,654</u>	<u>\$ 299,238</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 2,516	\$ -	\$ 8,395
Accrued payroll and other liabilities	1,756	-	2,504
Due to third parties			
Due to other funds	-	-	-
Deferred revenues	-	1,618	-
Total liabilities	<u>4,272</u>	<u>1,618</u>	<u>10,899</u>
Fund Balances (Deficit)			
Reserved for			
Capital projects	-	-	-
Unreserved			
Designated for			
Landfill postclosure	-	-	-
Undesignated, reported in			
Special revenue funds	47,618	70,036	288,339
Capital projects funds	-	-	-
Debt service funds	-	-	-
Total fund balances (deficit)	<u>47,618</u>	<u>70,036</u>	<u>288,339</u>
Total liabilities and fund balances	<u>\$ 51,890</u>	<u>\$ 71,654</u>	<u>\$ 299,238</u>

Colleton County, South Carolina

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2010

	Special Revenue		
	County Hospitality Tax	County Accomodations Tax	Public Defender Corporation
Assets			
Cash and cash equivalents	\$ 140,257	\$ -	\$ 40,511
Investments	-	597,520	-
Receivables, net of allowances			
Property taxes	-	-	-
Accounts	-	49,252	-
Other	2,403	-	-
Due from other funds	119,486	888	-
Due from other governments	-	-	-
Temporarily restricted			
Cash and investments	-	-	-
Total assets	<u>\$ 262,146</u>	<u>\$ 647,660</u>	<u>\$ 40,511</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 468	\$ -
Accrued payroll and other liabilities	-	1,850	-
Due to third parties			
Due to other funds	-	-	-
Deferred revenues	-	-	-
Total liabilities	<u>-</u>	<u>2,318</u>	<u>-</u>
Fund Balances (Deficit)			
Reserved for			
Capital projects	-	-	-
Unreserved			
Designated for			
Landfill postclosure	-	-	-
Undesignated, reported in			
Special revenue funds	262,146	645,342	40,511
Capital projects funds	-	-	-
Debt service funds	-	-	-
Total fund balances (deficit)	<u>262,146</u>	<u>645,342</u>	<u>40,511</u>
Total liabilities and fund balances	<u>\$ 262,146</u>	<u>\$ 647,660</u>	<u>\$ 40,511</u>

Colleton County, South Carolina

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2010

	Special Revenue		
	Recreation Center	Roads and Bridges	Solid Waste
Assets			
Cash and cash equivalents	\$ 22,159	\$ -	\$ -
Investments	-	307,245	277,587
Receivables, net of allowances			
Property taxes	-	147,781	873,192
Accounts	-	-	54,039
Other	1,465	-	508
Due from other funds	-	82,541	57,128
Due from other governments	-	821	5,375
Temporarily restricted			
Cash and investments	-	-	356,323
Total assets	<u>\$ 23,624</u>	<u>\$ 538,388</u>	<u>\$ 1,624,152</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 19,105	\$ 40,972	\$ 80,473
Accrued payroll and other liabilities	9,056	30,214	23,286
Due to third parties			
Due to other funds	2,772	-	-
Deferred revenues	-	135,528	881,457
Total liabilities	<u>30,933</u>	<u>206,714</u>	<u>985,216</u>
Fund Balances (Deficit)			
Reserved for			
Capital projects	-	-	-
Unreserved			
Designated for			
Landfill postclosure	-	-	356,323
Undesignated, reported in			
Special revenue funds	(7,309)	331,674	282,613
Capital projects funds	-	-	-
Debt service funds	-	-	-
Total fund balances (deficit)	<u>(7,309)</u>	<u>331,674</u>	<u>638,936</u>
Total liabilities and fund balances	<u>\$ 23,624</u>	<u>\$ 538,388</u>	<u>\$ 1,624,152</u>

Colleton County, South Carolina

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2010

	Special Revenue		Capital Projects	
	Sheriff's Discretionary Funds	SSRB Industrial Park Bond	Infrastructure	Industrial Development
Assets				
Cash and cash equivalents	\$ 315,164	\$ 35	\$ -	-
Investments	-	377,153	-	249,694
Receivables, net of allowances				
Property taxes	-	-	-	-
Accounts	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Temporarily restricted				
Cash and investments	32,749	-	-	-
Total assets	<u>\$ 347,913</u>	<u>\$ 377,188</u>	<u>\$ 249,694</u>	
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 13,461	\$ 6,696	-
Accrued payroll and other liabilities	-	-	-	-
Due to third parties	62,785	-	-	-
Due to other funds	-	-	-	15,612
Deferred revenues	-	-	-	-
Total liabilities	<u>62,785</u>	<u>13,461</u>	<u>22,308</u>	
Fund Balances (Deficit)				
Reserved for				
Capital projects	-	363,727	-	-
Unreserved				
Designated for				
Landfill postclosure	-	-	-	-
Undesignated, reported in				
Special revenue funds	285,128	-	-	-
Capital projects funds	-	-	-	227,386
Debt service funds	-	-	-	-
Total fund balances (deficit)	<u>285,128</u>	<u>363,727</u>	<u>227,386</u>	
Total liabilities and fund balances	<u>\$ 347,913</u>	<u>\$ 377,188</u>	<u>\$ 249,694</u>	

Colleton County, South Carolina

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2010

	Capital Projects		Debt Service
	County GOB Proceeds	SSRB Economic Development	Debt Service
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	1,460,636	1,252,579
Receivables, net of allowances			
Property taxes	-	-	1,372,357
Accounts	-	-	-
Other	-	-	-
Due from other funds	-	-	109,543
Due from other governments	-	-	202
Temporarily restricted			
Cash and investments	1,066	-	-
Total assets	<u>\$ 1,066</u>	<u>\$ 1,460,636</u>	<u>\$ 2,734,681</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 290
Accrued payroll and other liabilities	-	-	-
Due to third parties			
Due to other funds	-	-	-
Deferred revenues	-	-	1,285,222
Total liabilities	<u>-</u>	<u>-</u>	<u>1,285,512</u>
Fund Balances (Deficit)			
Reserved for			
Capital projects	1,066	1,460,636	-
Unreserved			
Designated for			
Landfill postclosure	-	-	-
Undesignated, reported in	-	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	1,449,169
Total fund balances (deficit)	<u>1,066</u>	<u>1,460,636</u>	<u>1,449,169</u>
Total liabilities and fund balances	<u>\$ 1,066</u>	<u>\$ 1,460,636</u>	<u>\$ 2,734,681</u>

Colleton County, South Carolina

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2010

	Debt Service		Total Nonmajor Governmental Funds
	SSRB Cannady's Debt Service	Debt Service Non-GOB	
Assets			
Cash and cash equivalents	\$ -	\$ 124,010	\$ 952,779
Investments	645,657	-	6,873,092
Receivables, net of allowances			
Property taxes	-	-	2,393,330
Accounts	-	-	103,291
Other	-	-	4,671
Due from other funds	-	-	897,222
Due from other governments	-	-	320,177
Temporarily restricted			
Cash and investments	-	-	390,138
Total assets	<u>\$ 645,657</u>	<u>\$ 124,010</u>	<u>\$ 11,934,700</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 555,592
Accrued payroll and other liabilities	-	-	100,079
Due to third parties			62,785
Due to other funds	-	119,515	160,731
Deferred revenues	-	-	2,527,662
Total liabilities	<u>-</u>	<u>119,515</u>	<u>3,406,849</u>
Fund Balances (Deficit)			
Reserved for			
Capital projects	-	-	1,825,429
Unreserved			
Designated for			
Landfill postclosure	-	-	356,323
Undesignated, reported in	-	-	-
Special revenue funds	-	-	4,019,392
Capital projects funds	-	-	227,386
Debt service funds	645,657	4,495	2,099,321
Total fund balances (deficit)	<u>645,657</u>	<u>4,495</u>	<u>8,527,851</u>
Total liabilities and fund balances	<u>\$ 645,657</u>	<u>\$ 124,010</u>	<u>\$ 11,934,700</u>

Colleton County, South Carolina

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -NONMAJOR
GOVERNMENTAL FUNDS

Year ended June 30, 2010

	Special Revenue			
	Capital Improvements	Sheriff's Title IV D	Special Revenue	State Grants
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	14,900	1,979,027	-
Fines and fees	-	-	-	-
Interest income	6,892	2	1,618	-
Other income	60	-	78,120	-
Total revenues	<u>6,952</u>	<u>14,902</u>	<u>2,058,765</u>	<u>-</u>
Expenditures				
Current				
General government	786,678	-	-	-
Judicial	13,999	-	345,551	-
Public safety	1,324,810	11,389	720,397	-
Streets and highways	948,604	-	-	-
Sanitation	-	-	-	-
Recreation and culture	2,600	-	98,409	-
Health and human services	-	-	624,539	-
Economic development	-	-	450,032	-
Intergovernmental	-	-	-	-
Capital outlay				
General government	-	-	5,256	-
Recreation and culture	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>3,076,691</u>	<u>11,389</u>	<u>2,244,184</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(3,069,739)</u>	<u>3,513</u>	<u>(185,419)</u>	<u>-</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	9,441	-	-	-
Insurance proceeds	15,362	-	-	-
Transfers in	3,633,782	-	273,915	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>3,658,585</u>	<u>-</u>	<u>273,915</u>	<u>-</u>
Net changes in fund balances	588,846	3,513	88,496	-
Fund balances (deficit)				
Beginning of year	729,542	(2,073)	212,013	14,771
End of year	<u>\$ 1,318,388</u>	<u>\$ 1,440</u>	<u>\$ 300,509</u>	<u>\$ 14,771</u>

Colleton County, South Carolina

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -NONMAJOR
GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2010

	Special Revenue		
	Clerk of Court IV Unit Costs	Clerk of Court IV Incentives	Victim Witness Services
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	110,691	38,123	-
Fines and fees	-	-	89,782
Interest income	33	181	48
Other income	-	-	-
Total revenues	<u>110,724</u>	<u>38,304</u>	<u>89,830</u>
Expenditures			
Current			
General government	-	-	-
Judicial	101,406	24,974	15,000
Public safety	-	-	75,599
Streets and highways	-	-	-
Sanitation	-	-	-
Recreation and culture	-	-	-
Health and human services	-	-	-
Economic development	-	-	-
Intergovernmental	-	-	-
Capital outlay			
General government	-	-	-
Recreation and culture	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>101,406</u>	<u>24,974</u>	<u>90,599</u>
Excess (deficiency) of revenues			
over expenditures	<u>9,318</u>	<u>13,330</u>	<u>(769)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	-
Insurance proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(2,071)
Total other financing			
sources (uses)	<u>-</u>	<u>-</u>	<u>(2,071)</u>
Net changes in fund balances	<u>9,318</u>	<u>13,330</u>	<u>(2,840)</u>
Fund balances (deficit)			
Beginning of year	18,226	97,312	50,458
End of year	<u>\$ 27,544</u>	<u>\$ 110,642</u>	<u>\$ 47,618</u>

Colleton County, South Carolina

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -NONMAJOR
GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2010

	Special Revenue		
	Animal Care and Control Donations	Emergency Telephone	County Hospitality Tax
Revenues			
Taxes	\$ -	\$ -	\$ 329,863
Intergovernmental revenues	-	-	-
Fines and fees	26,018	410,570	-
Interest income	61	1,018	4,043
Other income	18,568	-	-
Total revenues	<u>44,647</u>	<u>411,588</u>	<u>333,906</u>
Expenditures			
Current			
General government	-	-	-
Judicial	-	-	-
Public safety	25,727	309,675	-
Streets and highways	-	-	-
Sanitation	-	-	-
Recreation and culture	-	-	25,000
Health and human services	-	-	-
Economic development	-	-	-
Intergovernmental	-	-	175,000
Capital outlay			
General government	-	-	-
Recreation and culture	-	-	35,565
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>25,727</u>	<u>309,675</u>	<u>235,565</u>
Excess (deficiency) of revenues			
over expenditures	<u>18,920</u>	<u>101,913</u>	<u>98,341</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	-
Insurance proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(187,184)
Total other financing			
sources (uses)	<u>-</u>	<u>-</u>	<u>(187,184)</u>
Net changes in fund balances	18,920	101,913	(88,843)
Fund balances (deficit)			
Beginning of year	51,116	186,426	350,989
End of year	<u>\$ 70,036</u>	<u>\$ 288,339</u>	<u>\$ 262,146</u>

Colleton County, South Carolina

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -NONMAJOR
GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2010

	Special Revenue		
	County Accomodations Tax	Public Defender Corporation	Recreation Center
Revenues			
Taxes	\$ 391,862	\$ -	\$ -
Intergovernmental revenues	-	-	-
Fines and fees	-	-	137,653
Interest income	2,976	153	4
Other income	-	-	1,383
Total revenues	394,838	153	139,040
Expenditures			
Current			
General government	-	-	-
Judicial	-	244,689	-
Public safety	-	-	-
Streets and highways	-	-	-
Sanitation	-	-	-
Recreation and culture	65,490	-	491,127
Health and human services	-	-	-
Economic development	-	-	-
Intergovernmental	75,113	-	-
Capital outlay			
General government	-	-	-
Recreation and culture	22,288	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	162,891	244,689	491,127
Excess (deficiency) of revenues			
over expenditures	231,947	(244,536)	(352,087)
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	-
Insurance proceeds	-	-	-
Transfers in	-	244,689	344,778
Transfers out	(144,516)	-	-
Total other financing			
sources (uses)	(144,516)	244,689	344,778
Net changes in fund balances	87,431	153	(7,309)
Fund balances (deficit)			
Beginning of year	557,911	40,358	-
End of year	\$ 645,342	\$ 40,511	\$ (7,309)

Colleton County, South Carolina

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -NONMAJOR
GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2010

	Special Revenue		
	Roads and Bridges	Solid Waste	Sheriff's Discretionary Funds
Revenues			
Taxes	\$ 843,812	\$ 773,314	\$ -
Intergovernmental revenues	-	68,246	373,843
Fines and fees	-	264,053	-
Interest income	2,415	10,176	1,711
Other income	200	-	-
Total revenues	<u>846,427</u>	<u>1,115,789</u>	<u>375,554</u>
Expenditures			
Current			
General government	-	-	-
Judicial	-	-	-
Public safety	-	-	57,836
Streets and highways	1,699,026	-	-
Sanitation	-	1,750,312	-
Recreation and culture	-	-	-
Health and human services	-	-	-
Economic development	-	-	-
Intergovernmental	-	-	-
Capital outlay			
General government	-	-	-
Recreation and culture	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>1,699,026</u>	<u>1,750,312</u>	<u>57,836</u>
Excess (deficiency) of revenues			
over expenditures	<u>(852,599)</u>	<u>(634,523)</u>	<u>317,718</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	-
Insurance proceeds	970	-	-
Transfers in	856,009	827,203	-
Transfers out	-	-	-
Total other financing			
sources (uses)	<u>856,979</u>	<u>827,203</u>	<u>-</u>
Net changes in fund balances	<u>4,380</u>	<u>192,680</u>	<u>317,718</u>
Fund balances (deficit)			
Beginning of year	<u>446,256</u>	<u>446,256</u>	<u>(32,590)</u>
End of year	<u>\$ 638,936</u>	<u>\$ 638,936</u>	<u>\$ 285,128</u>

Colleton County, South Carolina

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -NONMAJOR
GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2010

	Capital Projects	
	SSRB Industrial Park Bond	Infrastructure Industrial Development
Revenues		
Taxes	\$ -	\$ 231,890
Intergovernmental revenues	-	-
Fines and fees	-	-
Interest income	6,439	499
Other income	-	-
Total revenues	6,439	232,389
Expenditures		
Current		
General government	-	114,352
Judicial	-	-
Public safety	-	-
Streets and highways	-	-
Sanitation	-	-
Recreation and culture	-	-
Health and human services	-	-
Economic development	2,133,005	38,729
Intergovernmental	-	-
Capital outlay		
General government	-	-
Recreation and culture	-	-
Debt service		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	2,133,005	153,081
Excess (deficiency) of revenues over expenditures	(2,126,566)	79,308
Other financing sources (uses)		
Proceeds from sale of capital assets	-	-
Insurance proceeds	-	-
Transfers in	-	-
Transfers out	(247,196)	-
Total other financing sources (uses)	(247,196)	-
Net changes in fund balances	(2,373,762)	79,308
Fund balances (deficit)		
Beginning of year	2,737,489	148,078
End of year	\$ 363,727	\$ 227,386

Colleton County, South Carolina

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -NONMAJOR
GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2010

	Capitla Projects		Debt Service
	County GOB Proceeds	SSRB Economic Development	Debt Service
Revenues			
Taxes	\$ -	\$ -	\$ 1,476,919
Intergovernmental revenues	-	-	-
Fines and fees	-	-	-
Interest income	5	1,866	7,536
Other income	-	-	-
Total revenues	<u>5</u>	<u>\$ 1,866</u>	<u>1,484,455</u>
Expenditures			
Current			
General government	-	-	1,560
Judicial	-	-	-
Public safety	-	-	-
Streets and highways	-	-	-
Sanitation	-	-	-
Recreation and culture	-	-	-
Health and human services	-	-	-
Economic development	-	-	-
Intergovernmental	-	-	-
Capital outlay			
General government	-	-	-
Recreation and culture	-	-	-
Debt service			
Principal retirement	-	-	951,199
Interest and fiscal charges	-	-	311,097
Total expenditures	<u>-</u>	<u>-</u>	<u>1,263,856</u>
Excess (deficiency) of revenues			
over expenditures	<u>5</u>	<u>1,866</u>	<u>220,599</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	-
Insurance proceeds	-	-	-
Transfers in	-	1,089,395	-
Transfers out	-	-	-
Total other financing			
sources (uses)	<u>-</u>	<u>1,089,395</u>	<u>-</u>
Net changes in fund balances	<u>5</u>	<u>1,091,261</u>	<u>220,599</u>
Fund balances (deficit)			
Beginning of year	1,061	369,375	1,228,570
End of year	<u>\$ 1,066</u>	<u>\$ 1,460,636</u>	<u>\$ 1,449,169</u>

Colleton County, South Carolina

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -NONMAJOR
GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2010

	Debt Service		Total Nonmajor Governmental Funds
	SSRB Cannady's Debt Service	Debt Service Non- GOB	
Revenues			
Taxes	\$ 1,196,688	\$ -	\$ 5,244,348
Intergovernmental revenues	-	-	2,584,830
Fines and fees	-	-	928,076
Interest income	4,688	86	52,450
Other income	-	-	98,331
Total revenues	<u>1,201,376</u>	<u>\$ 86</u>	<u>\$ 8,908,035</u>
Expenditures			
Current			
General government	-	-	902,590
Judicial	-	-	745,619
Public safety	-	-	2,525,433
Streets and highways	-	-	2,647,630
Sanitation	-	-	1,750,312
Recreation and culture	-	-	682,626
Health and human services	-	-	624,539
Economic development	-	-	2,621,766
Intergovernmental	-	-	250,113
Capital outlay			
General government	-	-	5,256
Recreation and culture	-	-	57,853
Debt service			
Principal retirement	462,124	218,722	1,632,045
Interest and fiscal charges	276,150	87,976	675,223
Total expenditures	<u>738,274</u>	<u>306,698</u>	<u>15,121,005</u>
Excess (deficiency) of revenues over expenditures	<u>463,102</u>	<u>(306,612)</u>	<u>(6,212,970)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	9,441
Insurance proceeds	-	-	16,332
Transfers in	-	306,700	7,576,471
Transfers out	(661,718)	-	(1,242,685)
Total other financing sources (uses)	<u>(661,718)</u>	<u>306,700</u>	<u>6,359,559</u>
Net changes in fund balances	<u>(198,616)</u>	<u>88</u>	<u>146,589</u>
Fund balances (deficit)			
Beginning of year	<u>844,273</u>	<u>4,407</u>	<u>8,381,262</u>
End of year	<u>645,657</u>	<u>\$ 4,495</u>	<u>\$ 8,527,851</u>

Colleton County, South Carolina

COMBINING STATEMENT OF FIDUCIARY NET ASSETS — AGENCY FUNDS

June 30, 2010

	<u>Sheriff's Seizure</u>	<u>Willow Swamp Water Shed</u>	<u>Law Officer Memorial</u>	<u>Transportation Committee</u>	<u>Delinquent Tax</u>	<u>Clerk of Court</u>	<u>Magistrates</u>	<u>Probate Judge</u>	<u>Firemen's Fund</u>	<u>Schools</u>	<u>Total</u>
Assets											
Cash and investments	\$ 96,232	\$ 2,335	\$ 1,356	\$ 4,227,050	\$ 307,009	\$ 1,109,023	\$ 86,125	\$ 8,871	\$ 114,310	\$ 4,579,938	\$ 10,532,249
Accounts receivable	-	-	-	136,140	-	-	-	-	115,901	-	252,041
Total assets	<u>\$ 96,232</u>	<u>\$ 2,335</u>	<u>\$ 1,356</u>	<u>\$ 4,363,190</u>	<u>\$ 307,009</u>	<u>\$ 1,109,023</u>	<u>\$ 86,125</u>	<u>\$ 8,871</u>	<u>\$ 230,211</u>	<u>\$ 4,579,938</u>	<u>\$ 10,784,290</u>
Liabilities											
Assets held for others	\$ 96,232	\$ 2,335	\$ 1,356	\$ 4,363,190	\$ 307,009	\$ 1,109,023	\$ 86,125	\$ 8,871	\$ 230,211	\$ 4,579,938	\$ 10,784,290
Total liabilities	<u>\$ 96,232</u>	<u>\$ 2,335</u>	<u>\$ 1,356</u>	<u>\$ 4,363,190</u>	<u>\$ 307,009</u>	<u>\$ 1,109,023</u>	<u>\$ 86,125</u>	<u>\$ 8,871</u>	<u>\$ 230,211</u>	<u>\$ 4,579,938</u>	<u>\$ 10,784,290</u>

DISCRETELY PRESENTED COMPONENT UNITS

Colleton County, South Carolina

FIRE AND RESCUE COMMISSION
BALANCE SHEET

June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Assets				
Cash and investments	\$ 6,571	\$ -	\$ 509,401	\$ 515,972
Receivables, net of allowances				
Property taxes	2,662,746	-	1,833,652	4,496,398
Accounts	911,848	-	-	911,848
Other	209,447	-	-	209,447
Due from primary government	195,572	6,077	201,882	403,531
Due from other governments	15,881	-	128	16,009
Temporarily restricted				-
Cash and investments	-	1,010,090	-	1,010,090
Total assets	<u>\$ 4,002,065</u>	<u>\$ 1,016,167</u>	<u>\$ 2,545,063</u>	<u>\$ 7,563,295</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 178,961	\$ -	\$ -	\$ 178,961
Accrued payroll and other liabilities	159,330	-	-	159,330
Due to primary government	-	-	-	-
Deferred revenues	<u>3,170,667</u>	<u>-</u>	<u>1,678,905</u>	<u>4,849,572</u>
Total liabilities	<u>3,508,958</u>	<u>-</u>	<u>1,678,905</u>	<u>5,187,863</u>
Fund Balances (Deficit)				
Reserved for capital projects	-	1,016,167	-	1,016,167
Unreserved, undesignated, reported in				-
General fund	493,107	-	-	493,107
Debt service	-	-	866,158	866,158
Total fund balances (deficit)	<u>493,107</u>	<u>1,016,167</u>	<u>866,158</u>	<u>2,375,432</u>
Total liabilities and fund balances	<u>\$ 4,002,065</u>	<u>\$ 1,016,167</u>	<u>\$ 2,545,063</u>	<u>\$ 7,563,295</u>

Colleton County, South Carolina

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS –
FIRE AND RESCUE COMMISSION

June 30, 2010

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

Total fund balance - fire and rescue commission	\$ 2,375,432
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in
governmental funds.

Cost of capital assets	\$15,783,900	
Accumulated depreciation	<u>(7,678,626)</u>	
	.	8,105,274

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds.

Property taxes	512,968	
Other	<u>365,762</u>	
		878,730

Disbursements for insurance coverage reflected in the funds cover periods extending beyond year-end.	87,298
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Costs associated with the issuance of long-term debt are deferred and amortized over the term of the debt.	52,577
---	--------

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

General obligation bonds	(7,757,069)	
Compensated absences	(168,060)	
Accrued interest	(92,547)	
OPEB obligation	<u>(87,538)</u>	
		<u>(8,105,214)</u>

Total net assets - governmental activities	<u><u>\$ 3,394,097</u></u>
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Colleton County, South Carolina

FIRE AND RESCUE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year ended June 30, 2010

	General	Capital Projects	Debt Service	Total
Revenues				
Taxes	\$ 2,491,154	\$ -	\$ 1,820,647	\$ 4,311,801
Intergovernmental revenues	2,917,001	-	-	2,917,001
Interest income	5,287	4,771	3,816	13,874
Other income	1,358,064	-	-	1,358,064
Total revenues	<u>6,771,506</u>	<u>4,771</u>	<u>1,824,463</u>	<u>8,600,740</u>
Expenditures				
Current				
Public safety	6,993,313	149,110	-	7,142,423
Principal retirement	-	-	1,469,181	1,469,181
Interest and fiscal charges	-	-	338,076	338,076
Total expenditures	<u>6,993,313</u>	<u>149,110</u>	<u>1,807,257</u>	<u>8,949,680</u>
Excess (deficiency) of revenues over expenditures	<u>(221,807)</u>	<u>(144,339)</u>	<u>17,206</u>	<u>(348,940)</u>
Other financing sources (uses)				
Transfers in	35,227	-	-	35,227
Transfers out	(60,850)	(35,227)	-	(96,077)
Total other financing sources (uses)	<u>(25,623)</u>	<u>(35,227)</u>	<u>-</u>	<u>(60,850)</u>
Net changes in fund balances	(247,430)	(179,566)	17,206	(409,790)
Fund balances (deficit)				
Beginning of year	740,537	1,195,733	848,952	2,785,222
End of year	<u>\$ 493,107</u>	<u>\$ 1,016,167</u>	<u>\$ 866,158</u>	<u>\$ 2,375,432</u>

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Colleton County, South Carolina

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ACTIVITIES –
FIRE AND RESCUE COMMISSION

Year ended June 30, 2010

Total net change in fund balance - fire and rescue commission \$ (409,790)

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 444,898	
Depreciation expense	<u>(1,086,670)</u>	(641,772)

Because some property taxes will be not 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 net meeting prior year availability criteria, recognized in governmental funds in current year:

Property taxes	(304,187)
Other	(365,762)

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

Property taxes	512,968
Other	<u>365,762</u>

208,781

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	(6,443)
OPEB obligation	(54,130)
Accrued interest	<u>52,745</u>

(7,828)

(continued)

Colleton County, South Carolina

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ACTIVITIES –
FIRE AND RESCUE COMMISSION - CONTINUED

Year ended June 30, 2010

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

Debt issued or repaid:

General obligation bonds	1,469,181	
Amortization of bond issue costs	<u>(7,768)</u>	1,461,413

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>7,955</u>	
Change in net assets of governmental activities		<u>\$ 618,759</u>

Colleton County, South Carolina

FIRE AND RESCUE FUND
BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Taxes	\$ 4,199,042	\$ 4,199,042	\$ 4,311,801	\$ 112,759
Intergovernmental revenues	2,612,198	4,343,178	2,917,001	(1,426,177)
Interest income	8,500	8,500	13,874	5,374
Other income	1,153,498	1,214,153	1,333,443	119,290
Total revenues	<u>7,973,238</u>	<u>9,764,873</u>	<u>8,576,119</u>	<u>(1,188,754)</u>
Expenditures				
Current				
Public safety	6,104,730	9,112,562	7,142,423	1,970,139
Debt Service	1,808,508	1,808,508	1,807,257	1,251
Total expenditures	<u>7,913,238</u>	<u>10,921,070</u>	<u>8,949,680</u>	<u>1,971,390</u>
Excess (deficiency) of revenues over (under) expenditures	60,000	(1,156,197)	(373,561)	782,636
Other financing sources (uses)				
Insurance proceeds	-	24,621	24,621	-
Transfers in	-	26,246	35,227	8,981
Transfers out	(60,000)	(86,246)	(96,077)	(9,831)
Total other financing sources (uses)	<u>(60,000)</u>	<u>(35,379)</u>	<u>(36,229)</u>	<u>(850)</u>
Net changes in fund balance	-	(1,191,576)	(409,790)	781,786
Fund balances				
Beginning of year	-	-	2,785,222	2,785,222
End of year	<u>\$ -</u>	<u>\$(1,191,576)</u>	<u>\$ 2,375,432</u>	<u>\$ 3,567,008</u>

Colleton County, South Carolina

MEMORIAL LIBRARY
BALANCE SHEET

June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 56,578	\$ 442	\$ 57,020
Receivables	1,706	-	1,706
Due from primary government	4,933	120	5,053
Due from other governments	402	-	402
Total assets	<u>\$ 63,619</u>	<u>\$ 562</u>	<u>\$ 64,181</u>
Liabilities and Fund Balances			
Liabilities			
Accrued payroll and other liabilities	\$ 14,341	\$ -	\$ 14,341
Deferred revenues	14,398	-	14,398
Total liabilities	<u>28,739</u>	<u>-</u>	<u>28,739</u>
Fund Balances (Deficit)			
Unreserved, undesignated, reported in			
General fund	34,880	-	34,880
Special revenue funds	-	562	562
Total fund balances (deficit)	<u>34,880</u>	<u>562</u>	<u>35,442</u>
Total liabilities and fund balances	<u>\$ 63,619</u>	<u>\$ 562</u>	<u>\$ 64,181</u>

Colleton County, South Carolina

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS –
MEMORIAL LIBRARY

June 30, 2010

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

Total fund balance - memorial library	\$ 35,442
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in
governmental funds.

Cost of capital assets	\$ 2,035,708	
Accumulated depreciation	<u>(1,708,497)</u>	
	.	327,211

Disbursements for insurance coverage reflected in the funds cover periods extending beyond year-end.	5,344
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Long-term liabilities, including bonds payable and compensated
absences, are not due and payable in the current period and
therefore, are not reported as liabilities in the funds.

Compensated absences	(17,334)	
OPEB obligation	<u>(7,612)</u>	
		<u>(24,946)</u>

Total net assets - governmental activities	<u>\$ 343,051</u>
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Colleton County, South Carolina

MEMORIAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year ended June 30, 2010

	General	Special Revenue Fund	Total Governmental Funds
Revenues			
Intergovernmental revenues	\$ 526,684	\$ 76,071	\$ 602,755
Donations	35,315	-	35,315
Interest income	230	24	254
Fines and fees	27,192	-	27,192
Total revenues	<u>589,421</u>	<u>76,095</u>	<u>665,516</u>
Expenditures			
Current			
Recreation and culture	585,916	76,071	661,987
Total expenditures	<u>585,916</u>	<u>76,071</u>	<u>661,987</u>
Net changes in fund balances	3,505	24	3,529
Fund balances (deficit)			
Beginning of year	31,375	538	31,913
End of year	<u>\$ 34,880</u>	<u>\$ 562</u>	<u>\$ 35,442</u>

Colleton County, South Carolina

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ACTIVITIES –
MEMORIAL LIBRARY

Year ended June 30, 2010

Total net change in fund balance - memorial library \$ 3,529

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 114,874	
Depreciation expense	<u>(148,748)</u>	(33,874)

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	(1,250)	
OPEB obligation	<u>(4,707)</u>	(5,957)

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.

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Change in net assets of governmental activities \$ (36,073)

Colleton County, South Carolina

MEMORIAL LIBRARY
BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2010

	<u>Budgeted Amounts</u>			<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	546,646	623,745	602,755	(20,990)
Fines, fees, and service charges			27,192	27,192
Interest income		-	254	254
Other income		42,978	35,315	(7,663)
Total revenues	<u>546,646</u>	<u>666,723</u>	<u>665,516</u>	<u>(1,207)</u>
Expenditures				
Current				
Recreation and culture	546,646	666,723	661,987	4,736
Total expenditures	<u>546,646</u>	<u>666,723</u>	<u>661,987</u>	<u>4,736</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	3,529	3,529
Other financing sources (uses)	-	-	-	-
Net changes in fund balance	-	-	3,529	3,529
Fund balances				
Beginning of year	-	(30,035)	31,913	61,948
End of year	<u>\$ -</u>	<u>\$(30,035)</u>	<u>\$35,442</u>	<u>\$ 65,477</u>

OTHER FINANCIAL INFORMATION

Colleton County, South Carolina

SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES

Year ended June 30, 2010

Court fines, surcharges and assessments:	
Collected	\$ 2,049,586
Remitted to State Treasurer	<u>(1,037,489)</u>
Retained by County	<u>\$ 1,012,097</u>
Fines, surcharges and assessments retained by County:	
General Fund	\$ 922,267
Victims advocate services	<u>89,830</u>
Total surcharges and assessments	<u>\$ 1,012,097</u>
Funds allocated to victims advocate service	
Carryover funds from prior year	\$ 50,458
Interest earned	48
Surcharges and assessments retained	89,830
Expenditures for victims advocate retained	<u>(92,670)</u>
Total under expenditure of victims advocate service funds	<u>\$ 47,666</u>

FEDERAL AWARDS AND OMB CIRCULAR A-133 REPORTS

Colleton County, South Carolina

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Direct			
ARRA USDA Rural Business Enterprise Grant (RBEG)	10.783	SC-00-01	\$ 21,944
Passed through S.C. Department of Social Services			
Summer Food Service Program for Children	10.559	SF-134	420,885
Summer Food Service Program for Children	10.559	SF-134	172,864
	Total 10.559		<u>593,749</u>
Total U.S. Department of Agriculture			<u>615,693</u>
U.S. Department of Justice:			
Direct			
Federal Equitable Sharing Program	16.000	N/A	<u>333,885</u>
JAG Grant - Juvenile Multi-Disciplinary Court Grant			<u>18,690</u>
Bullet Proof Vest Grant	16.607	N/A	<u>4,673</u>
State Criminal Alien Assistance Program	16.606	2008-AP-BX-1408	1,187
State Criminal Alien Assistance Program	16.606	2008-AP-BX-0568	573
State Criminal Alien Assistance Program	16.606	2009-AP-BX-0574	860
	Total 16.606		<u>2,620</u>
COPS Technology Grant	16.710	2009CKWX0348	<u>331,307</u>
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2007-DJ-BX-1226	<u>29,802</u>
ARRA Edward Byrne Memorial JAG Grant	16.804	2009-SB-B9-0704	<u>118,016</u>
ARRA Edward Byrne Memorial JAG Grant - Career Criminal Prosecution Team	16.803	1GS09022	177,865
ARRA Edward Byrne Memorial JAG Grant - Transfer Court Team	16.803	1GS09189	146,918
	Total 16.803		<u>324,783</u>
Total U.S. Department of Justice			<u>1,163,777</u>

Colleton County, South Carolina

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security:			
Direct			
Citizens Corps Grant	97.067	8CCP01	<u>2,404</u>
Assistance to Firefighters	97.044	EMW-2008-FO-02534	212,216
Assistance to Firefighters	97.044	EMW-2009-FO-05182	<u>209,447</u>
	Total 97.044		<u>421,663</u>
Passed through S.C. Emergency Management Agency			
2008 Supplemental Local Planning Grant	97.042	8EMPG01	5,467
2009 Emergency Management Performance Grant	97.042	9EMPG01	32,631
2010 Emergency Management Performance Grant	97.042	10EMPG01	<u>5,828</u>
	Total 97.042		<u>43,927</u>
			<u>467,994</u>
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	G10051T	<u>42,169</u>
			<u>42,169</u>
U.S. Department of Transportation			
Passed through S. C. Department of Public Safety			
Highway Safety Grant - DUI Traffic Unit	20.600	2H90045	<u>28,530</u>
Passed through S. C. Emergency Management Division			
Hazardous Materials and Emergency Planning (HMEP) Grant	20.703	HM-HMP-0043-09- 01-00	<u>1,749</u>
			<u>30,279</u>
U.S. Department of Commerce			
Direct			
EDA Economic Development Administration Grant	11.300	04-01-06046	<u>18,748</u>
			<u>18,748</u>

Colleton County, South Carolina

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Institute of Museum Library Services			
Passed through S. C. State Library LSTA Conference Attendance Grant	45.310	IID-09-03	<u>628</u>
Total U.S. Department of Commerce			<u>628</u>
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	<u>262,831</u>
Total U.S. Department of Housing and Urban Development			<u>262,831</u>
U.S. Department of Education			
Passed through S. C. State Library ARRA State Fiscal Stabilization Funds	84.397	N/A	<u>16,071</u>
Total U.S. Department of Education			<u>16,071</u>
U.S. Department of Energy			
Passed through S. C. Budget & Control Board S. C. Energy Office ARRA EECBG Energy Efficiency and Conservation Block Grant Program	81.128		<u>0</u>
Total U.S. Department of Education			<u>0</u>
National Endowment of Humanities:			
Passed through S. C. Humanities Council Promotion of the Humanities	45.129	CP-10-311-5	<u>400</u>
Total National Endowment of Humanities			<u>400</u>
Total Expenditures of Federal Awards			<u>\$ 2,618,589</u>

Colleton County, South Carolina

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

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 they related liability is incurred.

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

The Honorable Members of the County Council
Colleton County, 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 (the “County”) as of and for the year ended June 30, 2010, which collectively comprise Colleton County’s basic financial statements and have issued our report thereon dated March 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses:

Finding 2010-1

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies:

Finding 2010-2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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.

We noted certain other matters that we reported to management of the County's in a separate letter dated March 30, 2011.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, County Council, others within the entity, 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.

Reznick Group, P.C.

Atlanta, Georgia

March 30, 2011

REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Colleton County, South Carolina (the “County”), 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, 2010. The County’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 the County’s management. Our responsibility is to express an opinion on the County’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 County’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 County’s compliance with those requirements.

As described in item(s) Findings 2010-3 and 2010-4 in the accompanying schedule of findings and questioned costs, the County, did not comply with requirements regarding grant funds should be held in a separate trust fund account and disallowed costs expended with grant funds that are applicable to its ARRA Edward Byrne Memorial JAG Grant Federal Equitable Sharing Program. Compliance with such requirements is necessary, in our opinion, for the County, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, 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, 2010.

Internal Control Over Compliance

Management of the County, 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 County'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, County Council, others within the entity, 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.

Reznick Group, P.C.

Atlanta, Georgia
March 30, 2011

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2010

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	No
Type of auditor’s report issued on compliance for major programs:	Qualified
Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133?	Yes

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2010

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.000	Federal Equitable Sharing Program
16.710	COPS Technology Grant
16.804	ARRA Edward Byrne Memorial JAG Grant
16.803	ARRA Edward Byrne Memorial JAG Grant – Career Criminal Prosecution Team
16.803	ARRA Edward Byrne Memorial JAG Grant – Transfer Court Team
97.044	Assistance to Firefighters

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

Auditee qualified as low-risk auditee? Yes

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2010-1 – Cash account balances presented in the County’s financial statements are not timely reconciled or adjusted correctly – material weakness

Criteria

With the issuance of SAS No. 115 and other guidance, organization have been reminded they cannot rely on their external auditors as an “internal control” and to materially adjust the financial statements at year end. The County is to implement internal controls to assist in the monitoring of financial statement activity and test for material misstatements.

Condition

During our audit testwork, we determined that bank reconciliations between the general ledger and supporting information were not being performed timely through the fiscal year and many were not done accurately at year end.

Context

During the year there was no systematic method of ensuring that timely and complete monthly reconciliations and closing procedures take place. This situation led to a number of transactions and journal entries that were not posted properly to the accounting system. If not corrected, the situation could ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to exist and continue without notice. This process should be corrected with the establishment of a system of consistent monthly reconciliations and closing procedures.

Effect

We noted that material adjustments were necessary to properly record a number of transactions.

Cause

Lack of financial statement review for monthly reporting and procedures.

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2010

Recommendation

The County should implement and follow policies whereby cash accounts are reconciled to the general ledger in a timely manner. We recommend increased efforts be made to improve information and communication between departments and perform work on shared programs to make certain all transactions are posted properly and in a timely manner to the County's financial records.

Management Response

Fiscal year 2010 was very difficult year to manager from the standpoint of timely posting of collections and reconciling bank accounts. Colleton County migrated to a new tax billing and collection system in July 2009. The new software had numerous deficiencies in its reporting function that resulted in the County's inability to extract the necessary data required to balance the bank accounts. These reporting deficiencies required extensive research (over a period of months) by County information technology staff in writing specialized reporting programs that would give the County Treasurer the information needed to balance the bank accounts.

Corrective Actions

The County Treasurer will make an effort to reconcile the bank accounts on a timely basis.

The County Finance Director will take a more active role in building information and communication bridges between the County Treasurer and County Auditor.

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2010

Finding 2010- 2 – Lack of documented review of vehicle tax and property tax bills – significant deficiency

Criteria

Management should establish documented controls over the accuracy and timeliness of the tax billing process.

Condition

We determined that there was not a documented process on how vehicle tax and property tax bills are reviewed to ensure they are sent out in an accurate and timely manner.

Context

Our audit procedures revealed that during the year there was no systematic method of ensuring that tax bills are sent out timely and accurately. This situation led to a number of bills being sent out late and incorrectly during the fiscal year. This process should be corrected with the establishment of a system of documented controls over the accuracy and timeliness of the billing process.

Effect

We noted that a number of bills were sent out late and incorrectly.

Cause

There is a lack of review process for the new tax billing software.

Recommendation

The County should implement and follow policies whereby the billing process is reviewed for accuracy and timeliness of billing.

Management Response

The County Auditor was not aware of the necessity of maintaining documentation of these reviews.

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2010

Correction Actions

The County Finance Director will work with the County Auditor in establishing procedures for tax roll audits and maintaining the documentation of such reviews.

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2010

SECTION III – FEDERAL AWARD FINDINGS

Finding 2010-03 – Grant funds should be held in a separate trust fund account.

Federal Program

ARRA Edward Byrne Memorial JAG Grant CFDA 16.804

Criteria

The County was funds that should be held in a separate trust fund account for the Edward Byrne Memorial JAG Grant.

Condition

The County is holding its Edward Byrne Memorial JAG grant funding in an account that is commingling with other grant funding.

Context

The audit finding is an isolated instance of the grantee not being aware that a separate trust fund was necessary for the Edward Byrne Memorial JAG grant.

Effect

Noncompliance of the contract agreement.

Cause

Incorrect implementation of the requirement to segregate grant funds.

Recommendation

The County should open a separate trust fund for this federal program and deposit the required funds into the trust account.

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2010

Management Response

The County usually receives multiple Edward Byrne Memorial grants in most fiscal years. Some of those grants require separate bank accounts while others do not have that requirement. We mistakenly believed that all Edward Byrne grants would have the same requirements resulting in the belief that this grant did not require a separate bank account.

Corrective Action

The County will establish procedures to ensure that all requirements for all grants received are thoroughly reviewed and followed as required.

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2010

Finding 2010-04 – Disallowed costs expended with grant funds

Federal Program

Federal Equitable Sharing Program CFDA 16.000

Criteria

Equitably shared funds shall be used by law enforcement agencies for law enforcement purposes only. Law enforcement purposes include investigations, training, facilities, equipment, travel and transportation, awards and memorials, and drug and gang education and awareness programs. Costs associated with law enforcement equipment included equipment for use by law enforcement personnel that supports law enforcement activities such as furniture, office supplies, computers, body armor, uniforms, radios, cellular phones, and vehicles.

Condition

Each employee at the Sheriff's Department had a clothing allowance for uniforms. Instead of using the funds for uniforms, employees were given money to purchase clothes that could also be used for personal use.

Questioned Costs

The total disallowed costs related to clothing costs equaled \$36,750 for fiscal year 2010.

Context

The County brought this disallowed costs finding to our attention which demonstrates it has internal control in place for A-133 compliance.

Effect

Improper disbursement of clothing purchases not allowed in the Federal Equitable Sharing Program agreement resulting in taxable fringe benefits to the officers.

Colleton County, South Carolina

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2010

Cause

Insufficient understanding of the definition of clothing allowance as defined in the Federal Equitable Sharing Program agreement.

Recommendation

When grant funds are received, management should review all contract requirements and the County's accounting department should provide more oversight over the program activities.

Management Response

While management concurs, in retrospect, with the above conclusions, we believe that the guidelines were ambiguous and vague. A call to the regulators who oversee this program provided the necessary clarification of the stipulations that now make it clear that these types of clothing allowances are not allowed by the program.

Corrective Action

Going forward grant funds from the Equitable Sharing Program will not be used for non-uniform clothing allowances. The questioned costs of \$36,750 will be reimbursed to the Equitable Sharing Program.