

**COLLETON COUNTY,
SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2008

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of **Colleton County, South Carolina**, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Colleton County, South Carolina's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colleton County Commission on Alcohol and Drug Abuse, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of **Colleton County, South Carolina**, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of **Colleton County, South Carolina's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 10 and 47 through 48, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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To the Members of County Council
Colleton County, South Carolina
Walterboro, South Carolina
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Colleton County, South Carolina's** basic financial statements. The combining nonmajor fund, fiduciary fund and discretely presented component unit statements, listed in the table of contents under Other Supplementary Financial Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Court Fines, Assessments and Surcharges listed in the table of contents under Other Supplementary Financial Information is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents under Other Supplementary Financial Information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **Colleton County, South Carolina**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Walterboro, SC

Summerville, South Carolina
December 19, 2008

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

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

Financial Highlights

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

Major Funds

General Fund

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

Capital Projects Fund

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

Nonmajor Funds

Special Revenue Funds

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

Capital Projects Funds

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

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

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

Overview of the Financial Statements

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

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

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

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Government-wide Financial Statements - Government-wide financial statements are designed to provide readers with a broad overview of the financial position of Colleton County and are similar to financial statements issued in the private sector. They include a Statement of Net Assets and a Statement of Activities. These statements appear on pages 11 to 13 of this report.

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

The Statement of Net Assets shows the County's assets less its liabilities at June 30, 2008. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial position.

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

\$26,304,536 represents investment in capital assets (e.g. land, buildings, machinery and equipment) for Governmental Activities, less any related debt used to acquire those assets that is still outstanding at June 30, 2008, as compared to \$21,873,770 at June 30, 2007.

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

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

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

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

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

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

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

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

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

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following is a recap of the County's governmental funds reporting combined ending fund balances at June 30, 2008, as compared to June 30, 2007:

**Governmental Fund Balances
June 30, 2008**

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

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

**Governmental Fund Balances
June 30, 2007**

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

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

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

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

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

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

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

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General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

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

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

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

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

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

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

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

**COLLETON COUNTY, SOUTH CAROLINA
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YEAR ENDED JUNE 30, 2008**

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

Economic Factors and Next Year's Budget

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

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

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

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

Requests for Information - This financial report is designed to provide a general overview of the County's Finances and to demonstrate the County's accountability for the money it receives. Any questions about this report or request for information may be addressed to Colleton County Finance Director, P.O. Box 157, Walterboro, SC 29488.

BASIC FINANCIAL STATEMENTS

COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2008

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

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

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

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

General revenues:

Taxes:

- Property
- Manufacturers
- Homestead
- Motor carrier
- Delinquent
- Local option sales tax
- Fees in-lieu of taxes
- Local accommodations
- Hospitality
- Vehicle user fees
- Sales tax
- Franchise fees

Grants and contributions not restricted to specific programs

Unrestricted revenue from use of money and property

Gain on sale of assets

Miscellaneous

Total general revenues

Change in net assets

Net assets

Beginning of year

End of year

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

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

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

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

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

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

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

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

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$50,599,341 and the accumulated depreciation is \$15,094,603. 35,504,738

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

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

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

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

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

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

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

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

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

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

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

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

Page 1 of 2

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

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

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

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

Cost of capital assets	\$	(159,465)	
Accumulated depreciation		<u>152,484</u>	(6,981)
Net book value			

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

Amounts not meeting prior year availability criteria, recognized in governmental funds in current year			
Property taxes	\$	(800,569)	
Other		(40,985)	
Amounts not meeting current year availability criteria, not recognized in governmental funds in current year			
Property taxes		828,978	
Other		<u>56,534</u>	43,958

In the statement of activities, revenue from infrastructure assets contributed to the County by other governmental agencies is reported. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements. 78,816

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The details of net changes in such accruals are as follows:

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

(continued)

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

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

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

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

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

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

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

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

