

**COLLETON COUNTY
SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2005

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of **Colleton County, South Carolina**, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Colleton County, South Carolina's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colleton County Commission on Alcohol and Drug Abuse, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of **Colleton County, South Carolina**, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2005, on our consideration of **Colleton County, South Carolina's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Members of County Council
Colleton County, South Carolina
Walterboro, South Carolina
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The management's discussion and analysis and the budgetary comparison schedule on pages 3 through 10 and 46 through 47, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Bryan, Tuesdale, Adkins + Williams, PA

November 4, 2005

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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As management of Colleton County, South Carolina, (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2005. Please read this information in conjunction with the detailed statements and notes to the financial statements in order to achieve a better understanding of the County's financial performance for the fiscal year.

Financial Highlights

- The County's total general fund assets were \$19,673,279 as of June 30, 2005, compared to \$9,813,299 at the end of the previous year. The largest portion of this increase is related to the current tax receivable, with other increases related to the improvements to the County's cash position and prepaid expenses at the June 30, 2005 fiscal year end.
- The County's total general fund liabilities at June 30, 2005 were \$12,464,780 compared to \$4,148,083 at the end of the previous year. The largest portion of this increase over the prior year is the deferred revenue for tax collections.
- As of the close of the current fiscal year, the County Governmental Funds reported combined ending fund balances of \$15,076,250. This amount represents a total increase of 12.79% over originally stated prior year fund balances. Of this amount \$6,848,633 (45.43%) is unreserved and available for the General Fund governmental operations with \$100,944 (.66%) unreserved and designated for the subsequent year General Fund operations and \$258,922 (1.72%) reserved for prepaid expenses. In addition, \$2,438,615 (16.18%) is undesignated and available for appropriations in the various County Special Revenue Funds. The County Capital Projects Funds have \$4,578,520 (30.36%) of the fund balance amount reserved for future capital projects, and \$310,367 in undesignated fund balance; Debt Service funds have \$418,872 (2.78%) available for future General Obligation Bond payments, and Other Governmental Funds have \$101,145 (.67%) reserved for outstanding encumbrances, in addition to \$20,232 (.13%) designated for future landfill postclosure costs.
- The County's long-term debt position decreased 5.88% in total during the fiscal year ended June 30, 2005. Capital lease debt increased 8.22% with the issuance of additional debt in the amount of \$898,000 net with overall decreases related to principal debt retirement; General Obligation Bond debt decreased 11.85%; Revenue Bond debt decreased 9.11% and Notes Payable debt decreased 5.90%, all related to the principal debt retirement during fiscal year. The compensated absence liability of the County decreased in total .67% for the fiscal year ended June 30, 2005.
- The County's Solid Waste Division long-term debt related to landfill postclosure cost increased due to revised engineering reports to a total liability amount of \$152,914 which represents a 366.49% increase over the prior year estimate of \$32,780.
- The Fire & Rescue Commission's, one of the County's component units, long-term debt position decreased 9.06% in total, directly related to the retirement of the principal portion of outstanding debt which decreased overall by 9.81%. The long-term debt related to compensated absences increased to \$100,517 from the prior year amount of \$46,730 for a total increase of 115.10% related to the Council's action to place all County ambulance operations under the County Fire and Rescue Commission.
- The total fund balance positions for the County Special Revenue Funds increased 17.57% during fiscal year ended June 30, 2005. This increase is directly related to overall increases in revenues across the board in the majority of the County Special Funds.

Overview of the Financial Statements

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

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

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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

The Statement of Net Assets shows the County's assets less its liabilities at June 30, 2005. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial position.

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

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

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

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

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

Governmental Funds – Governmental funds, presented on pages 14 to 19, essentially account for the same functions as those reported under the government-wide statement of net assets and statement of activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of available resources as well as on the balance of funds available at the end of the fiscal year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating the County government's near-term financing requirements and available resources.

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

Governmental funds individually presented in the County government's statements include three major funds, the General Fund, Economic Development and Capital Improvement Fund and the Special Grants Fund. Although there are many smaller funds in the County government reporting system, they have been presented in a total column titled "Other Governmental Funds." Combining statements for these other governmental funds have been presented on pages 49 to 56 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The basic fiduciary fund financial statement can be found on page 20 and page 57 of this report.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements. Notes are presented on pages 22 to 46 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The government-wide statements encompass all the funds of the County, not just the general operational fund. In the case of the County, total assets exceeded liabilities by \$27,383,371 at the close of the June 30, 2005, fiscal year, as compared to \$23,879,865 at June 30, 2004.

\$15,571,192 (56.86%) represents investment in capital assets (e.g. land, buildings, machinery and equipment) for Governmental Activities, less any related debt used to acquire those assets that is still outstanding at June 30, 2005, as compared to \$18,454,916 (77.28%) at June 30, 2004.

Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

The remaining balance of unrestricted net assets \$10,986,567 (40.12%) may be used to meet the government's ongoing obligations to citizens and creditors at June 30, 2005, as compared to \$5,424,949 (22.72%) at June 30, 2004. At June 30, 2005, additional net assets are restricted for capital improvements in the amount of \$825,612 (3.02%).

**Colleton County, South Carolina
Summary of Net Assets
(Primary Government)
June 30, 2005 and 2004**

	Governmental Activities		Business-type Activities*		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 29,669,112	\$ 17,981,576	\$ -	\$ 481,166	\$ 29,669,112	\$ 18,462,742
Capital assets	28,195,548	26,342,702	-	1,157,893	28,195,548	27,500,595
Total assets	57,864,660	44,324,278	-	1,639,059	57,864,660	45,963,337
Long-term liabilities outstanding	16,573,612	15,261,885	-	147,869	16,573,612	15,409,754
Other liabilities	13,907,677	5,182,528	-	106,258	13,907,677	5,288,786
Total liabilities	30,481,289	20,444,413	-	254,127	30,481,289	20,698,540
Net assets:						
Investment in capital assets, net of related debt	15,571,192	18,454,916	-	959,459	15,571,192	19,414,375
Restricted:						
Capital improvements	825,612	-	-	-	825,612	-
Unrestricted	10,986,567	5,424,949	-	425,473	10,986,567	5,850,422
Total net assets	\$ 27,383,371	\$ 23,879,865	\$ -	\$ 1,384,932	\$ 27,383,371	\$ 25,264,797

* The Solid Waste Fund was changed from a business-type to a governmental activity in 2005. See Note III. A.

At June 30, 2005, \$4,645,276 is being held by the County as restricted cash and investments to be used for the planned purchase/construction of additional capital assets to provide services to citizens; consequently, these assets are not available for future spending, as compared to \$8,882,460 at June 30, 2004.

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

Governmental Activities – Governmental activities account for 100% of the total county activity at June 30, 2005, as compared to 94.52% at June 30, 2004. This information is further recapped on page 12 of this financial report in the Statement of Activities.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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Colleton County, South Carolina
Summary of Changes in Net Assets
(Primary Government)
For the fiscal years ended June 30, 2005 and 2004

	Governmental Activities		Business-type Activities*		Totals	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues						
Charges for services	\$ 2,487,862	\$ 2,663,975	\$ -	\$ 297,286	\$ 2,487,862	\$ 2,961,261
Operating grants and contributions	1,574,556	3,181,662	-	66,405	1,574,556	3,248,067
Capital grants and contributions	496,416	161,807	-	-	496,416	161,807
General Revenues						
Property taxes	11,823,872	11,966,283	-	-	11,823,872	11,966,283
Other taxes	7,197,824	6,694,443	-	-	7,197,824	6,694,443
Grants and contributions not restricted to specific programs	1,795,135	1,979,263	-	-	1,795,135	1,979,263
Unrestricted interest	212,826	75,574	-	421	212,826	75,995
Sale of capital assets	26,394	7,353	-	-	26,394	7,353
Miscellaneous/other income	46,952	45,642	-	85	46,952	45,727
Total Revenue	25,661,837	26,776,002	-	364,197	25,661,837	27,140,199
Expenses						
Program Activities						
Governmental Activities						
General government	5,340,259	5,444,585	-	-	5,340,259	5,444,585
Judicial	1,609,223	1,357,474	-	-	1,609,223	1,357,474
Public safety	8,355,260	8,580,993	-	-	8,355,260	8,580,993
Streets and highways	1,923,415	1,860,264	-	-	1,923,415	1,860,264
Sanitation	1,794,280	-	-	-	1,794,280	-
Recreation and culture	976,080	932,694	-	-	976,080	932,694
Health and human services	964,771	964,263	-	-	964,771	964,263
Economic development	704,122	878,618	-	-	704,122	878,618
Intergovernmental	862,515	889,704	-	-	862,515	889,704
Interest and fiscal charges	844,149	881,022	-	-	844,149	881,022
Business-type Activities						
Solid waste	-	-	-	1,501,411	-	1,501,411
Total Expenses	23,374,074	21,789,617	-	1,501,411	23,374,074	23,291,028
Transfers	-	(1,360,137)	-	1,360,137	-	-
Special items						
Assignment of Emergency Medical Services to component unit	(424,146)	-	-	-	(424,146)	-
Increase in Net Assets	1,863,617	3,626,248	-	222,923	1,863,617	3,849,171
Net assets beginning of year, as restated	25,519,754	-	-	-	25,519,754	-
Net assets end of prior fiscal year	-	20,253,617	-	1,162,009	-	21,415,626
Net Assets End of Year	\$ 27,383,371	\$ 23,879,865	\$ -	\$ 1,384,932	\$ 27,383,371	\$ 25,264,797

* The Solid Waste Fund was changed from a business-type to a governmental activity in 2005. See Note III. A.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

Additional Note on Governmental Activities: The County levies a vehicle user fee annually through tax appropriations, which is reflected in the general revenues section of the Statement of Activities on pages 12 and 13. This vehicle user fee is designated to the Roads and Bridges Special Revenue Fund for operations. The General Government contributed a total of \$659,193 for operations to offset the total cost of operations not funded through the vehicle user fee for the fiscal year ended June 30, 2005. In addition, the General Government contributed \$647,697 from Capital Lease proceeds to purchase equipment for the Roads and Bridges/Public Works functions of the County.

The County received \$496,416 in Contributed Capital from the State of South Carolina to implement a State-Wide voting system. The amount listed as Capital Grants and Contributions was determined by the State of South Carolina as the value of the voting system. This amount is reflected under Governmental activities for the General government on the Statement of Activities, page 12 for the fiscal year ended June 30, 2005.

Required Supplementary Information – Required Supplementary Information includes the Budgetary Comparison Schedule presented on pages 46 to 47 of this report. The format presented is required by the Governmental Accounting Standards Board (GASB) Statement No. 34 and presents actual data using the budgetary basis of accounting for the County.

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 reported combined ending fund balances at June 30, 2005:

Colleton County, South Carolina Governmental Fund Balances (Primary Government) June 30, 2005						
	General	Economic Development and Capital Improvements	Special Grants	Other Governmental Funds	Total Governmental Funds	% Total
Reserved						
Encumbrances	\$ -	\$ -	\$ -	\$ 101,145	\$ 101,145	0.67%
Prepays	258,922	-	-	-	258,922	1.72%
Capital projects	-	3,917,909	-	660,611	4,578,520	30.37%
Unreserved						
Designated for						
Subsequent years' appropriations	100,944	-	-	-	100,944	0.67%
Landfill postclosure cost	-	-	-	20,232	20,232	0.13%
Undesignated, reported in						
General fund	6,848,633	-	-	-	6,848,633	45.43%
Special revenue funds	-	-	94,840	2,343,775	2,438,615	16.18%
Capital projects funds	-	-	-	310,367	310,367	2.06%
Debt service funds	-	-	-	418,872	418,872	2.78%
Total Fund Balances	\$ 7,208,499	\$ 3,917,909	\$ 94,840	\$ 3,855,002	\$ 15,076,250	

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

**Colleton County, South Carolina
Governmental Fund Balances
(Primary Government)
June 30, 2005**

	General	Economic Development and Capital Improvements	Special Grants not Reported as Major Fund	Other Governmental Funds	Total Governmental Funds	% Total
Reserved						
Encumbrances	\$ -	\$ -	\$ -	\$ 100,595	\$ 100,595	0.00%
Capital acquisitions	562,000	-	-	-	562,000	4.20%
Capital projects	-	4,367,567	-	891,898	5,259,465	39.35%
Debt service	-	-	-	267,588	267,588	2.00%
Unreserved						
Undesignated	5,103,216	-	-	-	5,103,216	38.18%
Reported in Special revenue funds	-	-	-	2,074,121	2,074,121	15.52%
Total Fund Balances	\$ 5,665,216	\$ 4,367,567	\$ -	\$ 3,334,202	\$ 13,366,985	

General Fund Budgetary Highlights - Approximately 5% of the County's prior year unreserved fund balance for a total of \$338,326 was appropriated for General Fund expenditures during fiscal year ended June 30, 2005. The County actually did not utilize this fund balance appropriation due, in part, to the following factors:

- Total revenues exceeded budgeted projections by 10.47%, resulting in an increase in fund balance in the total amount of \$1,291,348 for fiscal year ended June 30, 2005, with actual expenditures for the year remaining consistent with budgeted expenditures.
- Tax revenue collections exceeded the original amount projected by 8.44%; the largest portion of this increase is related to collections in the Delinquent Tax Office of \$389,069 over the original budgeted projections. The overall collection rate in the tax offices was 99.88% for the fiscal year, which exceeded the projected collection rate of 96.7% for the fiscal year.
- Recording document fees exceeded the budgeted amount for the year by \$111,115, which represents an increase of 16% over the prior year and 36% over the amount budgeted for fiscal year ended June 30, 2005.
- Court fine revenues increased a total of \$142,303 over the prior year and represents an increase of 23% over the prior year revenues.
- Investment earnings for the County exceeded the budget by \$99,883 for fiscal year ended June 30, 2005.
- State contributions and grants increased for the General Fund in the amount of \$143,682 for a total increase of 4.26% over the prior year.
- Sales Tax Revenues increased \$44,217 over the prior year and represents an increase of 6.6% over the prior year revenues.

Overages on the comparison of budget to actual expenditures on page 47 are comprised of capital assets not budgeted within the General Fund for capital lease expenditures in fiscal year ended June 30, 2005. The County prepares a separate capital lease budget annually each year and does not amend the General Fund for these expenditures due to funding regulations to Elected Official offices. The overage amount in Public Safety is due to contributions to the Colleton County Fire and Rescue Commission in the amount of \$386,411 for ambulance service equipment funded through the 2005 Lease Purchase Agreement, and the amount of overage in Economic Development is related to capital expenditures from the 2005 Lease Purchase Agreement in the amount of \$23,912 not budgeted in the County General Fund.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

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Compliant Fund Balance - The County Budget Ordinance directs the utilization of a compliant fund balance methodology based on the cash-flow needs of the County in order to operate during the fiscal year prior to the receipt of tax revenues at the beginning of the calendar year. The unreserved fund balance needed for operations is projected annually during the budget process and is monitored during the fiscal year. Based on projected figures for the June 30, 2006, budget, the amount needed to sustain operations without borrowing funds is projected to be at a minimum of \$5 million or approximately 73% of the total June 30, 2005, undesignated fund balance at June 30, 2005.

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.

Capital Asset and Debt Administration

Capital Assets – The County's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$28,195,548 (net of accumulated depreciation) as compared to \$27,500,595 at June 30, 2004. This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, bridges and easements.

Additional information on the County's capital assets can be found on pages 33 to 35 in the notes to the financial statements.

Debt Administration

Long-term debt – At June 30, 2005, the County had total debt outstanding of \$16,039,603 compared to fiscal year ending June 30, 2004, of \$17,196,067, which represents a decrease of 6.73% over 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. Of the \$16,039,603 outstanding at June 30, 2005, \$2,975,432 (18.55%) is representative of notes payable from lease purchase agreements for capital equipment purchases, \$5,685,526 (35.45%) is related to General Obligation Bonds Debt, \$3,239,134 (20.19%) is related to Enterprise Financing Agreement debt for the construction of the VA Nursing Home project with the State of South Carolina and \$4,139,511 (25.81%) in Special Source Revenue Bonds for the development of the multi-county industrial park off interstate I-95 in Colleton County.

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 the total assessed value of properties within the County's boundaries. The current General Obligation Bond debt limitation for the County, based on information received from the County Auditor related to the 2004 Tax Assessments is \$9,462,919 for fiscal year ended June 30, 2005.

The County Fire and Rescue Commission had total debt outstanding of \$6,910,484 at June 30, 2005, related to the construction of new fire stations and acquisition of capital assets to improve the Insurance Service Office (ISO) fire ratings in order to reduce property insurance premiums countywide. The total outstanding debt for the County Fire and Rescue Commission at June 30, 2005, represents a 9.81% decrease over the prior fiscal year ended June 30, 2004, outstanding debt of \$7,662,558.

The County currently maintains a Baa1 rating from Moody's and a BBB+ rating from Standard and Poor's based on the latest ratings issued in November 2005. Both Moody's and Standard and Poor's rated the County high in the area of financial management, with the off-setting factor for improved ratings being the limited growth in the tax base. The rating agencies tied future improved ratings for the County to the ability to manage and plan for economic growth and development.

**COLLETON COUNTY
WALTERBORO, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005**

Page 8 of 8

Economic Factors and Next Years Budget - The County has seen stable growth in the vehicle digest over the past three years, which continues to help reduce the effect of the vehicle draw-down, which imposes assessment rate drops from 10.5% to 6% as required by State Law. The Delinquent Tax Office collection rate continues to improve each fiscal year with 8.44% growth over the prior year collections, which may indicate improvements within the local economy. In addition, the overall tax collection rates exceeded the amount projected by approximately 3.2% for fiscal year ended June 30, 2005.

Sales tax revenues also increased approximately 6.6% over the prior fiscal year, which may also be an indication of improvements to the local economy, as well as increases in State Shared Revenues for a total increase of 4.26% over the prior year. Recording document fees continue to rise with an increase of 16% over the prior year, which indicates stability in the housing markets.

The County's Special Source Revenue Bond Fund generated \$175,380 more revenues than the related debt. These funds have been set aside in a Capital Projects Fund in accordance with the bond covenants for future economic development projects. The funds generated from this revenue source are used to pay for the outstanding debt related to the industrial park project off I-95.

The County's tax base has grown modestly over the past five years averaging a 2.9% annual increase in total assessed values. The County implemented reassessment in the County for fiscal year ending June 30, 2006, for the first time in over eight years, and increased the total assessed values by approximately 34%.

Retail sales within the County continue to rise each year and the opening of the Super Wal-Mart in October 2005 off Interstate I-95 should further increase retail sales within the County for the upcoming fiscal year ending June 30, 2006. The County, in conjunction with the State of South Carolina and the Federal government, entered into a joint project to develop a Veteran's Affairs Nursing Home, which is slated to be completed by April 2006. The opening of the VA Nursing Home in the County will bring approximately 250 new jobs to the area.

Other improvements within the County include the existing Walterboro Veneer Plant expansion which will bring approximately 50 more jobs to the area. The County also continues to develop the County Commerce Park, strategically located off Interstate I-95, which will target light manufacturing and distribution based companies. The County Airport has also received Foreign Trade Zone status to improve the viability of the area. Local businesses are also taking interest in the local economy with private investments of \$195,000 to the Economic Development Alliance during fiscal year ended June 30, 2005.

County-wide improvements to the fire systems have improved the Insurance Service Office (ISO) ratings for the County to an overall rating of 4 in June 2005. This rating is the lowest in the State of South Carolina for fire services, and will decrease insurance premiums for residents in the County by approximately 50%. The Council's innovative move to combine ambulance services with fire and rescue services in fiscal year ended June 30, 2004, also won the South Carolina Association of Counties J. Graham Mitchell Award in fiscal year June 30, 2005.

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, 2005

	Primary			
	Government	Component Units		
	Governmental Activities	Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse
Assets				
Cash and investments	\$ 10,350,104	\$ 42,056	\$ 513,042	\$ 349,811
Receivables, net of allowances				
Property taxes	12,319,746	-	2,335,536	-
Accounts	83,754	-	375,851	52,254
Other	254,622	61	-	47,849
Due from component units	245,094	-	-	-
Due from other governments	1,347,727	2,187	26,857	-
Prepaid expenses	422,789	4,895	67,686	-
Temporarily restricted assets				
Cash and investments	4,645,276	-	430,641	-
Capital assets				
Nondepreciable	6,684,280	-	263,439	-
Depreciable, net of accumulated depreciation	21,511,268	360,083	6,253,518	6,241
Total assets	57,864,660	409,282	10,266,570	456,155
Liabilities				
Accounts payable	1,277,564	-	71	7,927
Accrued liabilities	698,283	-	-	-
Due to primary government	-	24,953	212,670	7,471
Unearned revenues	11,615,351	8,930	2,126,940	-
Accrued interest	316,479	-	96,085	-
Noncurrent liabilities				
Due within one year	2,209,553	1,879	832,500	6,421
Due in more than one year	14,364,059	12,039	6,178,502	7,569
Total liabilities	30,481,289	47,801	9,446,768	29,388
Net assets				
Invested in capital assets, net of related debt	15,571,192	360,083	409,474	6,241
Restricted for				
Debt service	-	-	293,385	-
Capital improvements	825,612	-	-	50,000
Unrestricted	10,986,567	1,398	116,943	370,526
Total net assets	\$ 27,383,371	\$ 361,481	\$ 819,802	\$ 426,767

The accompanying notes are an integral part of this financial statement.

**COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 5,340,259	\$ 428,794	\$ 94,619	\$ 496,416
Judicial	1,609,223	485,554	382,215	-
Public safety	8,355,260	1,153,053	479,018	-
Streets and highways	1,923,415	10,647	-	-
Sanitation	1,794,280	404,248	40,031	-
Recreation and culture	976,080	5,566	201,023	-
Health and human services	964,771	-	363,400	-
Economic development	704,122	-	14,250	-
Intergovernmental	862,515	-	-	-
Interest and fiscal charges	844,149	-	-	-
Total primary government	<u>\$ 23,374,074</u>	<u>\$ 2,487,862</u>	<u>\$ 1,574,556</u>	<u>\$ 496,416</u>
Component Unit				
Colleton County Memorial Library	\$ 614,630	\$ 22,501	\$ 72,555	\$ 9,573
Colleton County Fire and Rescue Commission	5,468,676	517,616	103,127	392,911
Colleton County Commission on Alcohol and Drug Abuse	793,641	118,857	710,228	-
	<u>\$ 6,876,947</u>	<u>\$ 658,974</u>	<u>\$ 885,910</u>	<u>\$ 402,484</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

Special item

- Assignment of emergency medical services
to Colleton County Fire and Rescue Commission

Total general revenues and special items

Change in net assets

Net assets

- Beginning of year, as restated
- End of year

The accompanying notes are an integral part of this financial statement.

Primary Government	Component Units		
	Colleton County Memorial Library	Colleton County Fire and Rescue Commission	Colleton County Commission on Alcohol and Drug Abuse
\$ (4,320,430)			
(741,454)			
(6,723,189)			
(1,912,768)			
(1,350,001)			
(769,491)			
(601,371)			
(689,872)			
(862,515)			
(844,149)			
<u>(18,815,240)</u>			
	\$ (510,001)		
		\$ (4,455,022)	
			\$ 35,444
	<u>(510,001)</u>	<u>(4,455,022)</u>	<u>35,444</u>
11,823,872	-	2,597,998	-
81,299	-	19,870	-
772,833	-	162,249	-
138,115	-	25,585	-
1,447,193	-	135,846	-
1,911,181	-	-	-
131,314	-	-	-
418,792	-	-	-
679,571	-	-	-
833,152	-	-	-
711,466	-	-	-
72,908	-	-	-
1,795,135	548,118	1,383,141	-
212,826	162	2,328	1,798
26,394	-	-	-
46,952	-	-	1,229
<u>(424,146)</u>	<u>-</u>	<u>424,146</u>	<u>-</u>
<u>20,678,857</u>	<u>548,280</u>	<u>4,751,163</u>	<u>3,027</u>
1,863,617	38,279	296,141	38,471
<u>25,519,754</u>	<u>323,202</u>	<u>523,661</u>	<u>388,296</u>
<u>\$ 27,383,371</u>	<u>\$ 361,481</u>	<u>\$ 819,802</u>	<u>\$ 426,767</u>

**COLLETON COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Economic Development and Capital Improvements	Special Grants	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 6,718,417	\$ 225	\$ 155,958	\$ 3,475,504	\$ 10,350,104
Receivables, net of allowances					
Property taxes	10,935,817	-	-	1,383,929	12,319,746
Accounts	35,581	-	-	48,173	83,754
Other	121,078	-	-	133,544	254,622
Due from other funds	438,664	-	-	25,743	464,407
Due from component units	239,202	-	-	5,892	245,094
Due from other governments	923,839	-	271,876	152,012	1,347,727
Prepays	258,922	-	-	-	258,922
Temporarily restricted					
Cash and investments	1,759	3,917,909	42,040	683,568	4,645,276
Total assets	\$ 19,673,279	\$ 3,918,134	\$ 469,874	\$ 5,908,365	\$ 29,969,652
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 934,584	\$ -	\$ -	\$ 342,980	\$ 1,277,564
Accrued liabilities	698,283	-	-	-	698,283
Due to other funds	25,742	225	174,759	263,681	464,407
Deferred revenues	10,806,171	-	200,275	1,446,702	12,453,148
Total liabilities	12,464,780	225	375,034	2,053,363	14,893,402
Fund Balances					
Reserved for					
Encumbrances	-	-	-	101,145	101,145
Prepays	258,922	-	-	-	258,922
Capital projects	-	3,917,909	-	660,611	4,578,520
Unreserved					
Designated for					
Subsequent years' appropriations	100,944	-	-	-	100,944
Landfill postclosure	-	-	-	20,232	20,232
Undesignated, reported in					
General fund	6,848,633	-	-	-	6,848,633
Special revenue funds	-	-	94,840	2,343,775	2,438,615
Capital projects funds	-	-	-	310,367	310,367
Debt service funds	-	-	-	418,872	418,872
Total fund balances	7,208,499	3,917,909	94,840	3,855,002	15,076,250
Total liabilities and fund balances	\$ 19,673,279	\$ 3,918,134	\$ 469,874	\$ 5,908,365	\$ 29,969,652

The accompanying notes are an integral part of this financial statement.

**COLLETON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total governmental fund balances \$ 15,076,250

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 \$37,804,541 and the accumulated depreciation is \$9,608,993. 28,195,548

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	\$	790,427	
Court fines		35,580	
Landfill fees		7,940	
Other		3,850	
			837,797

Disbursements for insurance coverage reflected in the funds cover periods extending beyond year-end. 163,867

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	\$	(5,685,526)	
Note payable		(3,239,134)	
Special source revenue bonds		(4,139,511)	
Capital leases		(2,975,432)	
Compensated absences		(314,095)	
Landfill closure and postclosure cost		(152,914)	
Claims and judgements		(67,000)	
Accrued interest		(316,479)	
			(16,890,091)

Net assets of governmental activities **\$ 27,383,371**

The accompanying notes are an integral part of this statement.

COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Economic Development and Capital Improvements	Special Grants
Revenues			
Taxes	\$ 15,754,161	\$ -	\$ -
Licenses and permits	128,422	-	-
Intergovernmental revenues	2,131,347	-	609,848
Fines and fees	1,260,685	-	-
Interest income	139,883	58,695	111
Other income	20,264	-	6,181
Total revenues	19,434,762	58,695	616,140
Expenditures			
Current			
General government	5,218,969	-	11,519
Judicial	1,165,952	-	-
Public safety	6,841,796	-	226,287
Streets and highways	74,812	-	-
Sanitation	-	-	-
Recreation and culture	703,643	-	12,462
Health and human services	503,555	-	363,610
Economic development	208,475	437,872	14,250
Intergovernmental	465,600	-	-
Capital outlay	-	70,481	-
Debt service			
Principal retirement	610,490	-	-
Interest and fiscal charges	58,744	-	-
Total expenditures	15,852,036	508,353	628,128
Excess (deficiency) of revenues over (under) expenditures	3,582,726	(449,658)	(11,988)
Other financing sources (uses)			
Proceeds from sale of property	29,588	-	-
Proceeds from capital lease	898,000	-	-
Transfers in	43,052	-	-
Transfers out	(3,138,267)	-	-
Total other financing sources (uses)	(2,167,627)	-	-
Excess (deficiency) before special items	1,415,099	(449,658)	(11,988)
Special item			
Assignment of emergency medical services to fire and rescue component unit	(123,751)	-	-
Net change in fund balance	1,291,348	(449,658)	(11,988)
Fund balances			
Beginning of year, as restated	5,917,151	4,367,567	106,828
End of year	\$ 7,208,499	\$ 3,917,909	\$ 94,840

The accompanying notes are an integral part of this financial statement.

Other Governmental Funds	Total Governmental Funds
\$ 3,399,602	\$ 19,153,763
-	128,422
1,273,981	4,015,176
803,436	2,064,121
12,407	211,096
39,458	65,903
<u>5,528,884</u>	<u>25,638,481</u>
2,364	5,232,852
365,571	1,531,523
1,184,395	8,252,478
2,000,468	2,075,280
1,854,391	1,854,391
243,181	959,286
2,265	869,430
67,337	727,934
396,915	862,515
167,078	237,559
1,443,975	2,054,465
788,293	847,037
<u>8,516,233</u>	<u>25,504,750</u>
<u>(2,987,349)</u>	<u>133,731</u>
38,695	68,283
-	898,000
3,839,656	3,882,708
(744,441)	(3,882,708)
<u>3,133,910</u>	<u>966,283</u>
146,561	1,100,014
-	(123,751)
146,561	976,263
3,708,441	14,099,987
<u>\$ 3,855,002</u>	<u>\$ 15,076,250</u>

**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, 2005**

Page 1 of 2

Net change in fund balances - total governmental funds \$ 976,263

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	\$ 2,911,194	
Depreciation expense	<u>(1,787,947)</u>	1,123,247

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	\$ (962,122)	
Accumulated depreciation	<u>533,828</u>	(428,294)
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	\$ (1,301,673)	
Court fines	(35,580)	
Amounts not meeting current year availability criteria, not recognized in governmental funds in current year		
Property taxes	790,427	
Landfill fees	7,940	
Court fines	35,580	
Other	<u>3,850</u>	(499,456)

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. (6,281)

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	\$ (34,695)	
Landfill closure and postclosure cost	(120,134)	
Accrued interest	<u>(3,103)</u>	(157,932)

(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, 2005**

Page 2 of 2

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 incurred:			
Capital lease financing	\$	(898,000)	
Principal repayments:			
General obligation bonds		764,459	
Note payable		202,968	
Special source revenue bond		415,128	
Capital leases		671,909	
	\$		1,156,464

The customer receivable balances transferred from the County (primary government) to the Fire and Rescue Commission (component unit) as a special item are recorded in the fund statements net of amounts not meeting the prior year availability criteria. (337,231)

Compensated absences transferred from the County to the Fire and Rescue Commission are included in the special item recorded on the statement activities. 36,837

Change in net assets of governmental activities \$ 1,863,617

The accompanying notes are an integral part of this statement.