

**COLLETON COUNTY,
SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2006

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BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

Certified Public Accountants and Financial Advisors

Martha H. Bryan, CPA
James T. Truesdale, CPA
Ellen K. Adkins, CPA
Betsy M. Williams, CPA, CFP®
Charlotte E. Allen, CPA, CFE

100 South Main Street, Suite G
Post Office Box 1588
Summerville, South Carolina 29484
Tele: 843.873.4400 Fax: 843.873.7227
Toll Free: 800.551.6032
Email: btaw@btaw-cpas.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of **Colleton County, South Carolina**, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Colleton County, South Carolina's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colleton County Commission on Alcohol and Drug Abuse, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Colleton County, South Carolina's** internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of **Colleton County, South Carolina**, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006, on our consideration of **Colleton County, South Carolina's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

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

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

Bryan, Truesdale, Adkins & Williams, PA

October 13, 2006

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

As management of Colleton County, South Carolina, (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Colleton County for the fiscal year ending June 30, 2006. Please read this information in conjunction with the detailed statements and notes to the financial statements in order to achieve better understanding of the County's financial performance for the fiscal year.

Financial Highlights

- The County's total general fund assets were \$21,017,599 as of June 30, 2006, compared to \$19,673,279 at the end of the previous year. The largest part of this increase is related to the current taxes receivable due at June 30, 2006.
- The County's total general fund liabilities at June 30, 2006 were \$14,677,480 compared to \$12,464,780 at the end of the previous year. The largest part of this increase is related to the deferred revenue for current tax receivable.
- As of the close of the current fiscal year, Colleton County Governmental Funds reported combined ending fund balances of \$19,110,717. This amount represents a total increase of 26.31% over the prior year fund balances. The composition of fund balances is as follows:

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

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

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Governmental Funds - Governmental funds, presented on pages 15 to 19, essentially account for the same functions as those reported under the government-wide statement of net assets and statement of activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of available resources as well as on the balance of available resources at the end of the fiscal year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating Colleton County's near-term financing requirements and available resources.

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

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

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

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

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

Government-wide Financial Analysis

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

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

Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities. At June 30, 2006 the County has net assets restricted for debt service in the total amount of \$1,039,308 (3.42%) of the total net assets.

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

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

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

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

At June 30, 2006, \$4,604,994 is being held by the County as restricted cash and investments to be used for the planned purchase/construction of additional capital assets to provide services to citizens; consequently, these assets are not available for future spending, as compared to \$4,645,276 at June 30, 2005.

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

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

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

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

Additional Notes on Governmental Activities: The County levies a vehicle user fee annually through tax appropriations, which is reflected in the General Revenues section at the bottom of the Statement of Activities on page 14. This vehicle user fee is designated to the Roads and Bridges Special Revenue Fund for operations. The General Government contributed a total of \$730,860 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 ended June 30, 2006, as compared to \$659,193 for June 30, 2005.

The County received \$1,665,398 in Contributed Capital from the Colleton County Transportation Committee during fiscal year ended June 30, 2006. This contribution is related to the paving of county-maintained roads by the Transportation Commission. The amount is reflected under Governmental activities Capital Grants and Contributions for Streets and Highways on the Statement of Activities, page 13 for the fiscal year ended June 30, 2006. The Colleton County Transportation Committee is regulated by the State Delegation Office and not the Colleton County Council and is listed as an Agency Fund on page 57.

The County and the City of Walterboro entered into a governmental agreement during June 30, 2006 to refinance the VA Nursing Home. Intergovernmental revenue received related to this refinancing was \$1,511,903 as reflected in the Changes in Net Assets under Special Items for the fiscal year ended June 30, 2006. In exchange for this refinancing, the County surrendered a portion of the Hospitality Tax Revenues to the City of Walterboro and the City of Walterboro assumed one-half of the related outstanding debt at the time of the governmental agreement.

Required Supplementary Information – Required Supplementary Information includes the Budgetary Comparison Schedule presented on page 45 to 46 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, Colleton 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 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 Colleton County's governmental funds reported combined ending fund balances at June 30, 2006 as compared to June 30, 2005:

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

Colleton County, South Carolina
Governmental Fund Balances
Fiscal Year Ended June 30, 2006

	General	Economic Development and Capital Improvements	Special Grants not reported as major	Other Governmental Funds	Total Governmental Funds	%
						Total
Reserved						
Encumbrances	\$ -	\$ -	\$ -	\$ 443,706	\$ 443,706	2.32%
Prepays	253,666	-	-	-	253,666	1.32%
Capital acquisitions	337,465	-	-	-	337,465	1.76%
Capital projects	-	3,910,517	-	3,253,178	7,163,695	37.49%
Unreserved						
Designated for:						
Road projects	-	-	200,000	-	200,000	1.05%
Postclosure	-	-	-	220,844	220,844	1.16%
Undesignated, reported in:						
General Fund	5,680,983	-	-	-	5,680,983	29.73%
Special Revenue Funds	-	-	95,685	3,353,499	3,449,184	18.04%
Capital Project Funds	-	-	-	242,120	242,120	1.27%
Debt Service Funds	-	-	-	1,119,054	1,119,054	5.86%
Total Fund Balances	\$ 6,272,114	\$ 3,910,517	\$ 295,685	\$ 8,632,401	\$ 19,110,717	

Colleton County, South Carolina
Governmental Fund Balances
Fiscal Year Ended June 30, 2005

	General	Economic Development and Capital Improvements	Special Grants Reported as Major Fund	Other Governmental Funds	Total Governmental Funds	%
						Total
Reserved						
Encumbrances	\$ -	\$ -	\$ -	\$ 101,145	\$ 101,145	0.53%
Prepays	258,922	-	-	-	258,922	1.35%
Capital projects	-	3,917,909	-	660,611	4,578,520	23.96%
Unreserved						
Designated for:						
Subsequent Years						
Appropriations	100,944	-	-	-	100,944	0.53%
Postclosure	-	-	-	20,232	20,232	0.11%
Undesignated, reported in:						
General Fund	6,848,633	-	-	-	6,848,633	35.84%
Special Revenue Funds	-	-	94,840	2,343,775	2,438,615	12.76%
Capital Project Funds	-	-	-	310,367	310,367	1.62%
Debt Service Funds	-	-	-	418,872	418,872	2.19%
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 (CONTINUED)
YEAR ENDED JUNE 30, 2006**

Capital Fund Established – Colleton County Council established the Colleton County Capital Fund during the June 30, 2006 fiscal year. The goal of this fund is to streamline the reporting processes related to tracking assets as well as providing funding to eliminate existing outstanding debt related to lease purchase agreements. The Capital Fund was initially established with \$1,500,000 (67.32%) from the Colleton County General Fund, \$350,000 (15.71%) from the Solid Waste Special Revenue Fund and \$378,000 (16.97%) from the Roads and Bridges Special Revenue Fund, for a total of \$2,228,000 for future capital needs. At June 30, 2006, \$1,970,736 was available for appropriation by County Council in the Capital Fund with \$258,000 Reserved for Encumbrances related to the purchase of new ambulances for the County.

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 Tax Anticipation Notes to operate government services increases the budget costs to the taxpayers during the fiscal year because of the related interest expense associated with the issuance of TANS. 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, 2007 budget, the amount needed to sustain operations without borrowing funds is projected to be at a minimum of \$5.3 million or approximately 93% of the total June 30, 2006 General Fund Undesignated Fund Balance.

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

General Fund Budgetary Highlights

Approximately 6% of the County's prior year unreserved fund balance, for a total of \$414,645, including a supplemental appropriation, was appropriated by County Council for General Fund operating expenditures during fiscal year 2006. The County actually did not utilize this fund balance appropriation due to the implementation of a spending freeze mid-year by the County Administrator and the County Finance Director. This spending freeze was implemented based on projected shortfalls in the property tax revenues resulting from the reassessment calculation methods as governed under State of South Carolina Law. This spending freeze included the delay of various projects throughout the County as well as not advertising vacant positions in County Departments if they were not related to public health and safety. The reduction in projected deficit of the Colleton County General Fund Balance at June 30, 2006 attributable to the spending freeze implementation was approximately \$226,150 for the fiscal year.

Capital Asset and Debt Administration

Capital Assets – Colleton County's investment in capital assets as of June 30, 2006, amounts to \$30,613,132 (net of accumulated depreciation) as compared to \$28,195,548 at June 30, 2005. 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 June 30, 2006 fiscal year include some of the following projects:

- Colleton County Courthouse Renovations
- New Fire Stations & Renovations to existing Fire Stations
- Purchase of New Fire Vehicles and Equipment
- Donated Assets - Paved Roads
- Construction in Progress - I-95 Colleton County Commerce Center Project

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

Additional information on the County's capital assets can be found on pages 25 to 26 in the notes to the financial statements.

Debt Administration – At fiscal year ending June 30, 2006, Colleton County had total debt outstanding of \$19,288,516 compared to fiscal year ending June 30, 2005 outstanding debt totaling \$16,039,603, which represents an increase of (20.26%) over the prior fiscal year. This increase is related to the issuance of new debt for General Obligation Bonds and Capital Lease Purchases, combined with the decrease related to the retirement of debt through the payment of the principal portion on the outstanding debt during the fiscal year June 30, 2006. Of the \$19,288,516 outstanding balance at June 30, 2006, \$11,385,442 (59.03%) is related to General Obligation Bond (GOB) Debt, \$1,619,413 (8.40%) is related to lease purchase agreements for capital equipment and \$1,067,104 (5.53%) is related to the Capital Lease for the Edisto Beach Civic Center, \$1,511,903 (7.83%) is related to the Notes Payable for the Veteran's Affairs Nursing Home and \$3,704,654 (19.21%) is related to the Special Source Revenue Bond (SSRB) issued to develop the Colleton County Commerce Center 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 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 2005 Tax Assessments is \$12,537,079 for fiscal year ending June 30, 2006, which represents a (32.5%) increase from the prior year capacity of \$9,462,919 at June 30, 2005. This increase in debt capacity is related to the property tax reassessment implemented for the 2005 Property Tax Year and during the June 30, 2006 fiscal year, as property taxes are paid in arrears.

The Colleton County Fire and Rescue Commission had total debt outstanding of \$8,491,554 at June 30, 2006 related to the construction of new fire stations and acquisition of capital assets for continued improvements related to Fire Services and the Insurance Service Office (ISO) fire ratings in order to continue and expand the reductions related to property insurance premiums. The total outstanding debt for the Colleton County Fire and Rescue Commission at June 30, 2006 represents a 22.88% increase over the prior fiscal year ended June 30, 2005 outstanding debt of \$6,910,484.

Colleton County currently maintains a Baa1 rating from Moody's and a BBB+ rating from Standard and Poor's based on the latest ratings 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.

Economic Factors and Next Years Budget

The County continues to see stable growth in the vehicle digest, i.e. the appraised value of vehicles in the county. This growth continues to help reduce the effect of the vehicle draw-down, a state law which imposes assessment rate drops from 10.5% to 6% of appraised values.

Colleton County Sales Tax Revenues were \$711,289 for June 30, 2006 as compared to June 30, 2005 revenues of \$711,465, which could indicate stability in the local economy. Recording Document Fee revenue continued to rise during June 30, 2006 with an increase of 16.3% over the prior year revenues, which could indicate stability in the housing markets and the refinancing of existing mortgages. In addition, the Colleton County Planning Office has reported stability in the number of residential housing and commercial permits issued for the past two years, accompanied with a 33.48% increase in the total residential housing values related to the permits issued.

The County's tax base has grown modestly over the past five years averaging around 2.9% growth annually in total assessed property values. The County implemented reassessment during fiscal year ended June 30, 2006 and for the first time in over eight years, increased the total assessed value by approximately 33%.

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

Colleton 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 in Colleton County. The new VA Nursing Home was officially opened in November 2006 and brings approximately 250 new jobs to the area.

The Colleton County Economic Alliance, Inc. reported in the Annual Report for June 30, 2006, three capital project announcements which collectively represent 112 new jobs (40 being part-time) along with 58,000 square feet of new or renovated building space being completed for a total of \$3.2 million in new investments to our area. The new projects are the expansion of Colleton Software Associates, Architectural Stone Castings development of a new manufacturing plant, and renovations/purchase of facilities at the Low Country Regional Airport by Jaxco Industries, which operates a fund-raising product business. In addition, the Alliance reports \$76,300 in contributions from the private business sector and also reported Colleton County as being a finalist in a \$1.2 billion project in South Carolina for fiscal year ended June 30, 2006.

The budget for the upcoming fiscal year proves to be challenging for both the County and the Colleton County Fire District due to annexations by The City of Walterboro. The City annexed commercial properties at both I-95 interstate exits. These annexations resulted in the loss of State Accommodations Tax Revenues to the County totaling \$35,000 per year. In addition, the annexations by the City have negatively impacted the Fire millage rate by 2.37 mills (\$2.37 per \$100 assessed valuation) or approximately \$206,200 loss in tax revenues. Under State Law, the City is required to reimburse the County for improvements within the district paid from the Colleton County Fire District Debt Service tax levy and this reimbursement has yet to be settled between the City and the County.

The County also granted a five-year tax abatement to one of the top-ten tax payers to prevent closure and loss of jobs in the County. This tax abatement impacted the County millage rate by 3.46 mills or approximately \$500,000 loss in tax revenues. Even though these factors have negatively impacted the budget, the County has reduced operational costs by approximately \$215,000 overall at the request of County Council, and Council only funded cost of living increases to County employees for one-half of the year to help off-set tax increases. Millage increases related to the School District alone total over 13.6 mills related to the EIA state maintenance of effort requirement and full-year funding related to pay increases for School District employees. The overall increase to the taxpayers is 5.1 mills (\$5.10 per \$100 assessed valuation), and is a result of annexations, abatements, and a balanced budget, rather than using a fund balance appropriation to balance the budget as has been the practice in prior years.

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, 2006

	Primary			
	Government	Component Units		
	Governmental Activities	Memorial Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse
Assets				
Cash and investments	\$ 16,055,974	\$ 35,293	\$ 457,439	\$ 274,454
Receivables, net of allowances				
Property taxes	13,314,790	-	2,717,316	-
Accounts	157,763	-	762,330	47,847
Other	27,484	61	-	44,701
Due from component units	71,105	-	-	-
Due from primary government	-	-	20,205	-
Due from other governments	1,599,800	773	7,469	-
Prepays and deposits	417,533	4,895	67,686	-
Bond issuance costs	37,182	-	24,508	-
Temporarily restricted assets				
Cash and investments	4,604,994	-	1,782,065	-
Capital assets				
Nondepreciable	8,274,174	-	1,031,658	-
Depreciable, net of accumulated depreciation	22,338,958	393,980	5,760,264	18,913
Total assets	66,899,757	435,002	12,630,940	385,915
Liabilities				
Accounts payable	2,885,588	-	223	20,601
Accrued liabilities	282,496	-	-	-
Due to primary government	-	8,425	62,680	-
Due to component unit	20,205	-	-	-
Due to other governments	370,174	-	-	-
Unearned revenues	12,673,818	8,757	2,499,495	-
Accrued interest	266,597	-	106,951	-
Noncurrent liabilities				
Due within one year	2,588,524	2,486	929,426	5,495
Due in more than one year	17,371,522	12,865	7,680,941	6,944
Total liabilities	36,458,924	32,533	11,279,716	33,040
Net assets				
Invested in capital assets, net of related debt	19,878,746	393,980	627,624	18,913
Restricted for				
Debt Service	1,039,308	-	452,026	-
Capital improvements	5,468,153	-	-	50,000
Public safety	196,045	-	-	-
Roads and bridges	105,706	-	-	-
Unrestricted	3,752,875	8,489	271,574	283,962
Total net assets	\$ 30,440,833	\$ 402,469	\$ 1,351,224	\$ 352,875

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

**COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 5,832,259	\$ 420,290	\$ 161,418	\$ -
Judicial	1,694,343	585,178	270,152	-
Public safety	8,897,438	1,289,323	813,325	-
Streets and highways	2,157,486	-	-	1,665,398
Sanitation	1,864,575	452,989	83,336	-
Recreation and culture	1,029,961	44,060	17,902	-
Health and human services	1,083,368	-	433,912	-
Economic development	420,369	-	-	-
Intergovernmental	2,909,748	-	-	-
Interest and fiscal charges	890,054	-	-	-
Total primary government	<u>\$ 26,779,601</u>	<u>\$ 2,791,840</u>	<u>\$ 1,780,045</u>	<u>\$ 1,665,398</u>
Component Units				
Memorial Library	\$ 625,354	\$ 24,040	\$ 103,870	\$ 56,548
Fire and Rescue Commission	6,151,819	1,103,660	197,547	-
Commission on Alcohol and Drug Abuse	849,487	120,698	646,812	-
Total component units	<u>\$ 7,626,660</u>	<u>\$ 1,248,398</u>	<u>\$ 948,229</u>	<u>\$ 56,548</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

Intergovernmental revenue received as a result
of negotiated settlement

Total general revenues and special items

Change in net assets

Net assets

Beginning of year

End of year

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

Primary Governmental Activities	Component Units		
	Memorial Library	Fire and Rescue Commission	Commission on Alcohol and Drug Abuse
\$ (5,250,551)			
(839,013)			
(6,794,790)			
(492,088)			
(1,328,250)			
(967,999)			
(649,456)			
(420,369)			
(2,909,748)			
(890,054)			
<u>(20,542,318)</u>			
	\$ (440,896)		
		\$ (4,850,612)	
			\$ (81,977)
	<u>(440,896)</u>	<u>(4,850,612)</u>	<u>(81,977)</u>
12,361,450	-	2,510,702	-
64,821	-	21,063	-
637,849	-	164,636	-
160,818	-	22,697	-
964,952	-	184,607	-
2,012,012	-	-	-
916,283	-	289,092	-
453,885	-	-	-
351,314	-	-	-
853,552	-	-	-
711,289	-	-	-
86,397	-	-	-
1,874,599	481,358	2,107,610	-
491,442	527	56,757	6,538
89,815	-	11,133	-
57,399	-	13,737	1,547
<u>1,511,903</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>23,599,780</u>	<u>481,885</u>	<u>5,382,034</u>	<u>8,085</u>
3,057,462	40,989	531,422	(73,892)
<u>27,383,371</u>	<u>361,481</u>	<u>819,802</u>	<u>426,767</u>
<u>\$ 30,440,833</u>	<u>\$ 402,470</u>	<u>\$ 1,351,224</u>	<u>\$ 352,875</u>

**COLLETON COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	2005 Bond Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 5,784,932	\$ -	\$ 10,271,042	\$ 16,055,974
Receivables, net of allowances				
Property taxes	12,005,261	-	1,309,529	13,314,790
Accounts	35,581	-	122,182	157,763
Other	27,257	-	227	27,484
Due from other funds	1,496,219	-	32,223	1,528,442
Due from component units	62,487	-	8,618	71,105
Due from other governments	1,012,950	-	586,850	1,599,800
Prepays and deposits	253,666	-	-	253,666
Temporarily restricted				
Cash and investments	339,246	4,259,256	6,492	4,604,994
Total assets	\$ 21,017,599	\$ 4,259,256	\$ 12,337,163	\$ 37,614,018
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,440,929	\$ 56,033	\$ 388,626	\$ 2,885,588
Accrued liabilities	282,496	-	-	282,496
Due to other funds	22,126	292,706	1,213,610	1,528,442
Due to component units	20,205	-	-	20,205
Due to other governments	122,082	-	248,092	370,174
Deferred revenues	11,857,647	-	1,558,749	13,416,396
Total liabilities	14,745,485	348,739	3,409,077	18,503,301
Fund Balances				
Reserved for				
Encumbrances	-	-	443,706	443,706
Prepays	253,666	-	-	253,666
Capital lease acquisitions	337,465	-	-	337,465
Capital projects	-	3,910,517	3,253,178	7,163,695
Unreserved				
Designated for				
Landfill postclosure	-	-	220,844	220,844
Road projects	-	-	200,000	200,000
Undesignated, reported in				
General fund	5,680,983	-	-	5,680,983
Special revenue funds	-	-	3,449,184	3,449,184
Capital projects funds	-	-	242,120	242,120
Debt service funds	-	-	1,119,054	1,119,054
Total fund balances	6,272,114	3,910,517	8,928,086	19,110,717
Total liabilities and fund balances	\$ 21,017,599	\$ 4,259,256	\$ 12,337,163	\$ 37,614,018

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, 2006**

Total governmental fund balances		\$ 19,110,717																											
<p>Amounts reported for governmental activities in the statement of net assets are different because of the following:</p>																													
<p>Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$41,824,902 and the accumulated depreciation is \$11,211,770.</p>		30,613,132																											
<p>Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds:</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Property taxes</td> <td style="width: 10%; text-align: right;">\$ 702,808</td> <td style="width: 30%;"></td> </tr> <tr> <td>Other</td> <td style="text-align: right;">39,770</td> <td></td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; text-align: right;"></td> <td style="text-align: right; vertical-align: bottom;">742,578</td> </tr> </table>	Property taxes	\$ 702,808		Other	39,770				742,578		742,578																		
Property taxes	\$ 702,808																												
Other	39,770																												
		742,578																											
<p>Disbursements for insurance coverage reflected in the funds cover periods extending beyond year-end.</p>		163,867																											
<p>Costs associated with the issuance of long-term debt are deferred and amortized over the term of the debt.</p>		37,182																											
<p>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.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">General obligation bonds</td> <td style="width: 10%; text-align: right;">\$ (11,385,442)</td> <td style="width: 30%;"></td> </tr> <tr> <td>Note payable</td> <td style="text-align: right;">(1,511,903)</td> <td></td> </tr> <tr> <td>Special source revenue bonds</td> <td style="text-align: right;">(3,704,654)</td> <td></td> </tr> <tr> <td>Capital leases</td> <td style="text-align: right;">(2,686,517)</td> <td></td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">(377,430)</td> <td></td> </tr> <tr> <td>Landfill closure and postclosure cost</td> <td style="text-align: right;">(227,100)</td> <td></td> </tr> <tr> <td>Claims and judgements</td> <td style="text-align: right;">(67,000)</td> <td></td> </tr> <tr> <td>Accrued interest</td> <td style="text-align: right;">(266,597)</td> <td></td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; text-align: right;"></td> <td style="text-align: right; vertical-align: bottom;">(20,226,643)</td> </tr> </table>	General obligation bonds	\$ (11,385,442)		Note payable	(1,511,903)		Special source revenue bonds	(3,704,654)		Capital leases	(2,686,517)		Compensated absences	(377,430)		Landfill closure and postclosure cost	(227,100)		Claims and judgements	(67,000)		Accrued interest	(266,597)				(20,226,643)		(20,226,643)
General obligation bonds	\$ (11,385,442)																												
Note payable	(1,511,903)																												
Special source revenue bonds	(3,704,654)																												
Capital leases	(2,686,517)																												
Compensated absences	(377,430)																												
Landfill closure and postclosure cost	(227,100)																												
Claims and judgements	(67,000)																												
Accrued interest	(266,597)																												
		(20,226,643)																											
Net assets of governmental activities		\$ 30,440,833																											

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

COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	2005 Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 15,792,299	\$ -	\$ 4,115,290	\$ 19,907,589
Licenses and permits	142,560	-	-	142,560
Intergovernmental revenues	2,149,532	-	1,457,403	3,606,935
Fines, fees and service charges	1,467,607	-	891,169	2,358,776
Interest income	211,217	116,194	165,215	492,626
Other income	34,758	-	121,922	156,680
Total revenues	19,797,973	116,194	6,750,999	26,665,166
Expenditures				
Current				
General government	5,575,367	2,655	79,254	5,657,276
Judicial	1,214,665	71,469	387,965	1,674,099
Public safety	7,696,512	-	908,242	8,604,754
Streets and highways	66,003	-	1,590,802	1,656,805
Sanitation	-	-	1,789,779	1,789,779
Recreation and culture	809,367	-	205,172	1,014,539
Health and human services	521,863	-	467,488	989,351
Economic development	247,000	-	164,278	411,278
Intergovernmental	205,100	1,986,223	718,425	2,909,748
Capital outlay	-	608,148	1,193,408	1,801,556
Debt service				
Bond issuance costs	-	37,182	-	37,182
Principal retirement	884,504	-	1,514,680	2,399,184
Interest and fiscal charges	63,712	-	876,224	939,936
Total expenditures	17,284,093	2,705,677	9,895,717	29,885,487
Excess (deficiency) of revenues over (under) expenditures	2,513,880	(2,589,483)	(3,144,718)	(3,220,321)
Other financing sources (uses)				
Sale of capital assets	94,788	-	-	94,788
General obligation debt issued	-	6,500,000	-	6,500,000
Refunding debt issued	-	-	1,511,903	1,511,903
Payment to refund debt	-	-	(3,023,806)	(3,023,806)
Capital lease proceeds	660,000	-	-	660,000
Transfers in	5,400	-	5,686,406	5,691,806
Transfers out	(4,210,453)	-	(1,481,353)	(5,691,806)
Total other financing sources (uses)	(3,450,265)	6,500,000	2,693,150	5,742,885
Excess (deficiency) before special item	(936,385)	3,910,517	(451,568)	2,522,564
Special item				
Intergovernmental revenue received as a result of negotiated settlement	-	-	1,511,903	1,511,903
Net change in fund balance	(936,385)	3,910,517	1,060,335	4,034,467
Fund balances				
Beginning of year	7,208,499	-	7,867,751	15,076,250
End of year	\$ 6,272,114	\$ 3,910,517	\$ 8,928,086	\$ 19,110,717

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

**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, 2006**

Page 1 of 2

Net change in fund balances - total governmental funds \$ 4,034,467

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	\$ 2,606,257	
Depreciation expense	<u>(1,849,098)</u>	757,159

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	\$ (251,289)	
Accumulated depreciation	<u>246,316</u>	
Net book value		(4,973)

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	\$ (790,427)	
Other	(47,370)	
Amounts not meeting current year availability criteria, not recognized in governmental funds in current year		
Property taxes	702,808	
Other	<u>39,770</u>	(95,219)

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.

1,665,398

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	\$ (63,335)	
Landfill closure and postclosure cost	(74,186)	
Accrued interest	<u>49,882</u>	(87,639)

(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, 2006**

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:			
General obligation debt	\$	(6,500,000)	
Note payable		(1,511,903)	
Capital lease financing		(660,000)	
Principal repayments:			
General obligation bonds		800,084	
Note payable		3,239,134	
Special source revenue bond		434,857	
Capital leases		948,915	
Bond issue costs		37,182	
		(3,211,731)	\$ (3,211,731)
Change in net assets of governmental activities			\$ 3,057,462

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

**COLLETON COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2006**

	<u>Agency Funds</u>
Assets	
Cash and cash investments	\$ 8,642,197
Accounts receivable	<u>228,176</u>
Total assets	<u><u>\$ 8,870,373</u></u>
Liabilities	
Assets held for others	<u>\$ 8,870,373</u>
Total liabilities	<u><u>\$ 8,870,373</u></u>

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Colleton County (the County) is governed by a five-member County Council under the Council-Administrator form of government, pursuant to the South Carolina Home Rule Act. Members of County Council are elected from resident districts. The County Council acts as the governing body of the County with power to pass ordinances and adopt regulations. The basic financial statements herein reflect those operations subject to the control of Colleton County Council and the County Administrator.

Among the services that the County funds in whole or in part, are the following: general government, judicial, public safety, streets and highways, sanitation, health and human services, recreation and cultural institutions, economic development; and other miscellaneous services (intergovernmental and private non-profit support).

As required by generally accepted accounting principles, these financial statements present the County (primary government) and its discretely presented component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are combined with data of the County if the governing body of the component unit is substantively the same as that of the primary government or the component unit provides services entirely or almost entirely to the primary government. Discretely presented component units, on the other hand, do not meet the criteria for blending and are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the primary government. Disclosures in these notes to the financial statements are applicable to both the County and its component unit unless otherwise indicated.

Blended Component Units.

The *Colleton County Development Board*, an entity legally separate from the County, is governed by a seven-member board appointed by Colleton County Council. For financial reporting purposes, the Commission is reported as if it is part of the County's operations because all fiscal and hiring matters are subject to the authority of Colleton County Council, as represented by the County Administrator.

The *Colleton County Advisory/Planning Commission* does not have separate corporate powers from the County and thus is included in the County's operations.

Discretely Presented Component Units.

The nine members of the *Colleton County Memorial Library's* (the Library) governing board are appointed by Colleton County Council. The Library is fiscally dependent upon the government because the County Council approves the Library's budgets, and can significantly influence the decisions of the Library.

The five members of the *Colleton County Fire and Rescue Commission* (the Commission) are selected by County Council from ten members presented by the Fire Control Board, an advisory board comprised of a member from each of the participating fire departments. The Commission is fiscally dependent upon the government because the County Council approves the Commission's budgets, levies taxes, and must approve any debt issuances.

The nine members of the *Colleton County Commission on Alcohol and Drug Abuse's* (the Commission) governing board are appointed by Colleton County Council. The Commission is fiscally dependent upon the government because the County Council approves the Commission's budgets, and can significantly influence the decisions of the Commission. Separately issued financial statements may be obtained at 1439 Thunderbolt Drive, Walterboro, South Carolina.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain County functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Major Funds

The County reports the following major governmental funds:

1. The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *2005 Bond Fund*, a capital projects fund, accounts for the acquisition or construction of capital assets from the proceeds of the 2005 General Obligation Bond.

Nonmajor Funds

In addition, the County reports the following nonmajor fund types:

The *Special Revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects) such as grants, fire and other special purpose fees, and economic development.

The *Debt Service funds* account for the accumulation of resources for, and the payment of, long-term debt principal and interest. The County's Debt Service Fund was established and is maintained in accordance with acts passed by the General Assembly of South Carolina authorizing the sale of general obligation bonds of the County.

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Fiduciary funds are used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. The *Agency funds* are custodial in nature and do not involve the measurement of results of operations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The basic financial statements of the County have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for grant reimbursements, for which the availability period is 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt for acquisitions under capital leases are reported as other financing sources.

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

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days of year-end and available to pay obligations of the current period). This includes property taxes and special assessments, investment earnings, fines and forfeitures, certain charges for services, and state-levied locally shared taxes. Sales, use and hospitality taxes are recorded when the underlying transaction is made. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made. When grant funds are received in advance, revenue recognition is deferred until qualifying expenditures are made. Other revenues, including permits, licenses, some franchise fees and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all property taxes.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Cash Equivalents and Deposits

The "deposits" classification is used only in the notes, not on the face of the statement of net assets or balance sheet. Deposits include only cash on hand, pooled money market funds and certificates of deposit.

The County considers cash and cash equivalents for cash flow purposes to be currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts, and liquid investments with an original maturity of three months or less when purchased.

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

2. Investments

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*," investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

The County and its component units have a number of financial instruments, none of which is held for trading purposes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Debt securities are reported at cost or amortized cost.

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

3. Prepaid Items

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Receivables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The County bills and collects taxes for itself and all other taxing entities in the County under joint billing and collection agreements. The County recognizes property taxes in the period for which they are levied and available for financing current expenditures. Property taxes receivable represents delinquent real and personal taxes for the past ten years, less an allowance for amounts estimated to be uncollectible, plus taxes levied on the assessed value of real and personal property, as of January 1, 2006. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as deferred revenue and thus not recognized as revenue until collected in the governmental funds.

Taxes on real property and certain personal property attach as an enforceable lien on the property as of January 1. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 - three percent, February 1 - an additional seven percent, March 16 - an additional five percent. If not paid by October 1, the property is subject to sale by the delinquent tax office. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license registration is due for renewal. The taxpayer must provide proof of payment to the Highway Department before that agency will renew the vehicle license.

For additional information related to receivables see Notes I.C. and III.B.

5. Restricted Assets

The County's restricted accounts are established to account for assets restricted for specific purposes, typically by outside parties or legal agreement. Certain bond indentures of trust agreements require the establishment of restricted accounts equal to (i) maximum annual principal and interest payments, unless a surety bond was provided, and (ii) the next succeeding principal and accrued interest payment.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capitalization threshold for infrastructure assets is \$50,000 for individual items and networks. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives' are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of governmental-type activities is not capitalized.

All reported capital assets except land and certain infrastructure assets are depreciated. Useful lives for infrastructure are estimated based on the County's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, gains or losses on refundings and defeasance, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Claims and Judgments

All claims and judgments are accrued in the government-wide financial statements when they are both 1) probable that a liability has been incurred, and 2) the loss can be reasonably estimated. The County records claims and judgments for governmental funds under the modified accrual basis of accounting. This method provides that claims and judgments are recorded as expenditures and liabilities to the extent the amounts are payable with expendable available financial resources, i.e., currently funded or budgeted.

9. Compensated Absences

It is the County's and its component units' policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. There is no liability for unpaid accumulated sick leave,

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Compensated Absences (Continued)

since it is the County's policy to record the cost of sick leave only when it is paid and no benefits vest upon termination. All vacation and compensatory pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only to the extent they are payable from current resources, and represent matured liabilities, for example, as a result of employee resignations and retirements.

10. Reservations and Designations of Fund Balances

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reservations represent portions of fund balances which are not appropriable for expenditure or have been segregated for specific future uses by legal mandate. Designations represent tentative plans by the County for financial resource utilization in a future period as documented in the budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. ENCUMBRANCES

Encumbrances are recorded in order to reserve that portion of the applicable appropriation and are employed as an extension of formal budgetary integration in the General Fund. Encumbrances are also used as budgetary controls in the special revenue funds and capital projects funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Outstanding encumbrances are considered reappropriated in the ensuing year and are included in the overall budget for the ensuing year.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. FUND EQUITY DEFICITS

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

Fund	Deficit	Resource for Elimination
Special Revenue Funds		
Sheriff's Incentives Fund	\$ 3,022	Future revenues
Sheriff's Discretionary Funds	\$ 61,551	Future revenues
County Promotion of Tourism Hospitality Tax	\$ 28,578	Future revenues

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Primary government, Fire and Rescue Commission, and Library

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

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Deposits of the County are subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. Driven by the aforementioned statute, the County's informal policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in demand or time deposits, continuously and fully secured with direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. Custodial credit risk for deposits is not formally addressed by bond indentures. Indentures require that restricted deposits be maintained by the trustee bank, as custodian, specified in the indenture.

As of June 30, 2006, \$4,527,346 of the County's bank balance of \$26,671,160 was exposed to custodial credit risk because \$493,212 was uninsured and uncollateralized, and \$4,034,134 was uninsured and collateralized by government investments held by the pledging financial institution's trust department or agent, but not in the County's name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal investment policy regarding custodial credit risk.

As of June 30, 2006, the \$9,130,938 investment was in a repurchase agreement held by the counterparty, or its trust department or agent for the County.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. DEPOSITS AND INVESTMENTS (CONTINUED)

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

As of June 30, 2006, the County had the following investment maturities:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Repurchase Agreements	\$ 9,130,938	1
Certificates of Deposit	\$ 5,671,141	304

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

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
5. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

In addition, South Carolina State statutes authorize the County and its component units to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created pursuant to Section 6-6-10 of the South Carolina Code of Laws, and administered by the State Treasurer, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The reported value of the County's and its component unit's position in the pool, if any, is the same as the fair value of the pool shares.

The County has no investment policy that would further limit its investment choices. As of June 30, 2006, the County's investment in the repurchase agreements was collateralized by securities with a market value of \$14,756,587. Of this amount, \$22,641 was unrated, \$85,894 was rated Aa1 by Moody's and the remaining collateral of \$14,648,052 was rated Aaa.

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

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. RECEIVABLES

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

	Primary Government		Component Units		
	General	Nonmajor Funds	Fire and Rescue	Library	Alcohol and Drug Abuse
Receivables					
Taxes	\$ 12,553,503	\$ 1,367,129	\$ 2,862,530	\$ -	\$ -
Accounts	39,534	136,521	3,396,645	-	47,847
Other	27,257	227	-	61	44,701
Gross receivables	12,620,294	1,503,877	6,259,175	61	92,548
Less: allowance for uncollectibles					
Taxes	(548,242)	(57,600)	(145,214)	-	-
Accounts	(3,953)	(14,339)	(2,634,315)	-	-
Net receivables	<u>\$ 12,068,099</u>	<u>\$ 1,431,938</u>	<u>\$ 3,479,646</u>	<u>\$ 61</u>	<u>\$ 92,548</u>

C. DEFERRED AND UNEARNED REVENUES

Governmental funds report deferred revenue in the fund financial statement in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2006, the various components of deferred and unearned revenue reported in the governmental funds were as follows:

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 702,808	\$ -
Other	39,770	-
Total unavailable	<u>742,578</u>	<u>-</u>
Unearned		
Contributions and grants recorded prior to meeting all eligibility requirements	263,600	263,600
Property taxes receivable	12,410,218	12,410,218
Total unearned	<u>12,673,818</u>	<u>12,673,818</u>
Total deferred revenues, governmental funds	<u>\$ 13,416,396</u>	
Total unearned revenues, government-wide		<u>\$ 12,673,818</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. DEFERRED AND UNEARNED REVENUES (CONTINUED)

Component unit

Fire and Rescue

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 147,896	\$ -
Fees for emergency medical services	570,037	-
Total unavailable	717,933	-
Unearned		
Property taxes receivable	2,499,495	2,499,495
Total unearned	2,499,495	2,499,495
Total deferred revenues, governmental funds	\$ 3,217,428	
Total unearned revenues, government-wide		\$ 2,499,495

D. INTERFUND RECEIVABLES AND PAYABLES

The interfund receivables and payables at June 30, 2006, were as follows:

	Receivable Fund	Payable Fund
Major governmental funds		
General	\$ 1,496,219	\$ 22,126
2005 Bond Fund	-	292,706
Nonmajor governmental funds	32,223	1,213,610
Total interfund balances	\$ 1,528,442	\$ 1,528,442

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

	Transfer in	Transfer out
Major governmental funds		
General	\$ 5,400	\$ 4,210,453
Nonmajor governmental funds	5,686,406	1,481,353
Total	\$ 5,691,806	\$ 5,691,806

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS

Primary government capital asset activity for the year ended June 30, 2006, is as follows:

	<u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2006</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,268,593	\$ 231,228	\$ -	\$ 1,499,821
Land - infrastructure	4,432,819	-	(3,470)	4,429,349
Construction in progress	982,868	1,362,136	-	2,345,004
Total capital assets not being depreciated	<u>6,684,280</u>	<u>1,593,364</u>	<u>(3,470)</u>	<u>8,274,174</u>
Capital assets being depreciated				
Buildings and improvements	14,094,119	286,922	-	14,381,041
Improvements other than buildings	1,245,113	67,085	-	1,312,198
Machinery and equipment	2,872,155	369,249	-	3,241,404
Heavy vehicles and equipment	3,759,407	112,136	(98,000)	3,773,543
Vehicles	2,901,262	177,501	(149,819)	2,928,944
Infrastructure	6,248,200	1,665,398	-	7,913,598
Total assets being depreciated	<u>31,120,256</u>	<u>2,678,291</u>	<u>(247,819)</u>	<u>33,550,728</u>
Accumulated depreciation				
Buildings and improvements	(2,469,660)	(351,673)	-	(2,821,333)
Improvements other than buildings	(784,225)	(106,662)	-	(890,887)
Machinery and equipment	(800,170)	(420,780)	-	(1,220,950)
Heavy vehicles and equipment	(1,882,363)	(300,734)	98,000	(2,085,097)
Vehicles	(2,370,836)	(315,318)	148,316	(2,537,838)
Infrastructure	(1,301,734)	(353,931)	-	(1,655,665)
Total accumulated depreciation	<u>(9,608,988)</u>	<u>(1,849,098)</u>	<u>246,316</u>	<u>(11,211,770)</u>
Total capital assets being depreciated, net	<u>21,511,268</u>	<u>829,193</u>	<u>(1,503)</u>	<u>22,338,958</u>
Governmental activities capital assets, net	<u>\$ 28,195,548</u>	<u>\$ 2,422,557</u>	<u>\$ (4,973)</u>	<u>\$ 30,613,132</u>

Capital asset additions include \$1,665,398 in donated infrastructure.

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

Governmental activities:	
General government	\$ 392,365
Judicial	78,061
Public safety	494,834
Streets and highways	558,234
Sanitation	213,104
Recreation and culture	11,795
Health and human services	94,683
Economic Development	6,022
Total governmental activity depreciation	<u>\$ 1,849,098</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS (CONTINUED)

Component units

Activity for the year ended June 30, 2006, is as follows:

	July 1, 2005	Increases	Decreases	June 30, 2006
<u>Fire and Rescue Commission</u>				
Capital assets not being depreciated				
Land	\$ 207,395	\$ -	\$ -	\$ 207,395
Construction in progress	56,044	912,126	(143,907)	824,263
Total capital assets not being depreciated	263,439	912,126	(143,907)	1,031,658
Capital assets being depreciated				
Buildings and improvements	2,863,680	143,907	-	3,007,587
Improvements other than buildings	59,790	-	-	59,790
Machinery and equipment	88,033	36,183	-	124,216
Heavy vehicles and equipment	6,732,494	-	(80,000)	6,652,494
Vehicles	302,244	-	(10,000)	292,244
Total capital assets being depreciated	10,046,241	180,090	(90,000)	10,136,331
Total capital assets	10,309,680	1,092,216	(233,907)	11,167,989
Accumulated depreciation				
Buildings and improvements	(353,497)	(65,476)	-	(418,973)
Improvements other than buildings	(42,667)	(1,642)	-	(44,309)
Machinery and equipment	(50,089)	(14,561)	-	(64,650)
Heavy vehicles and equipment	(3,136,585)	(562,996)	80,000	(3,619,581)
Vehicles	(209,885)	(28,669)	10,000	(228,554)
Total accumulated depreciation	(3,792,723)	(673,344)	90,000	(4,376,067)
Total capital assets being depreciated, net	6,253,518	(493,254)	-	5,760,264
Governmental activities capital assets, net	\$ 6,516,957	\$ 418,872	\$ (143,907)	\$ 6,791,922
<u>Library</u>				
Capital assets being depreciated				
Buildings and improvements	\$ 131,775	\$ -	\$ -	\$ 131,775
Library materials	1,365,863	169,976	(65,805)	1,470,034
Machinery and equipment	55,572	-	-	55,572
Heavy vehicles and equipment	62,736	-	-	62,736
Vehicles	14,190	-	-	14,190
Total capital assets being depreciated	1,630,136	169,976	(65,805)	1,734,307
Total capital assets	1,630,136	169,976	(65,805)	1,734,307

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS (CONTINUED)

	July 1, 2005	Increases	Decreases	June 30, 2006
<u>Library (Continued)</u>				
Accumulated depreciation				
Buildings and improvements	\$ (70,436)	\$ (14,452)	\$ -	\$ (84,888)
Library materials	(1,090,473)	(107,360)	65,805	(1,132,028)
Machinery and equipment	(40,777)	(7,993)	-	(48,770)
Heavy vehicles and equipment	(54,177)	(6,274)	-	(60,451)
Vehicles	(14,190)	-	-	(14,190)
Total accumulated depreciation	<u>(1,270,053)</u>	<u>(136,079)</u>	<u>65,805</u>	<u>(1,340,327)</u>
Total capital assets being depreciated, net	<u>360,083</u>	<u>33,897</u>	<u>-</u>	<u>393,980</u>
Governmental activities capital assets, net	<u>\$ 360,083</u>	<u>\$ 33,897</u>	<u>\$ -</u>	<u>\$ 393,980</u>
 <u>Alcohol and Drug</u>				
Capital assets being depreciated				
Vehicles	\$ 62,062	\$ 19,337	\$ (24,781)	\$ 56,618
Accumulated depreciation				
Vehicles	<u>(55,821)</u>	<u>(6,665)</u>	<u>24,781</u>	<u>(37,705)</u>
Governmental activities capital assets, net	<u>\$ 6,241</u>	<u>\$ 12,672</u>	<u>\$ -</u>	<u>\$ 18,913</u>

Depreciation expense incurred by the component units during the year ended June 30, 2006, was as follows:

Fire and Rescue	<u>\$ 673,344</u>
Library	<u>\$ 136,079</u>
Alcohol and Drug Abuse	<u>\$ 6,665</u>

G. LONG-TERM DEBT AND CURRENT REFUNDING

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

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

Special Source Revenue Bonds – The County entered into an agreement with Orangeburg County for the development of a joint-county industrial/business park to be located within both the County and Orangeburg County. The County issued Special Source Revenue Bonds of \$2,700,000 on June 19, 2003, of which the proceeds of these issues are to be used for the defrayment of a portion of the costs of acquiring the infrastructure for, and the development of, the joint-county industrial/business park. Repayment of the bonds is to be funded solely through fees in lieu of taxes equal to the ad valorem property taxes on the property located within the park. No recourse shall be had for the payment of these bonds or the interest thereon against the general fund of the County. The full faith, credit and taxing powers of the County are not pledged to the payment of the principal of, or interest on, these bonds.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT AND CURRENT REFUNDING (CONTINUED)

Notes Payable – The County entered into an enterprise financing agreement under Section 11-27-110(A)(5) of the South Carolina law to help fund the construction of a VA Nursing Home to be located in the County. The remainder of the cost of the project is to be funded by the State of South Carolina. Repayment of the note is to be funded through the collection of local hospitality taxes. Under the South Carolina section of law pertaining to enterprise financing arrangements, the 8% constitutional legal debt limit of the County does not apply to this enterprise financing. This debt was refunded during the year. See Note V. I. for additional information.

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

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

1. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006, is as follows:

	July 1, 2005	Additions	Reductions	June 30, 2006	Due within one year
Primary government					
<u>Governmental activities</u>					
Bonds					
General obligation	\$ 5,685,526	\$ 6,500,000	\$ 800,084	\$ 11,385,442	\$ 1,033,487
Special source revenue	4,139,511	-	434,857	3,704,654	455,698
Capital leases	2,975,432	660,000	948,915	2,686,517	908,686
Note payable	3,239,134	1,511,903	3,239,134	1,511,903	129,596
Claims and judgments	67,000	-	-	67,000	-
Landfill closure and postclosure costs	152,914	74,186	-	227,100	-
Compensated absences	314,095	280,238	216,903	377,430	61,057
Total long-term liabilities	<u>\$ 16,573,612</u>	<u>\$ 9,026,327</u>	<u>\$ 5,639,893</u>	<u>\$ 19,960,046</u>	<u>\$ 2,588,524</u>
Component units					
<u>Fire and Rescue</u>					
General obligation bonds	\$ 6,910,484	\$ 2,400,000	\$ 818,930	\$ 8,491,554	\$ 911,454
Compensated absences	100,518	83,307	65,012	118,813	17,972
Total Fire and Rescue long-term debt	<u>\$ 7,011,002</u>	<u>\$ 2,483,307</u>	<u>\$ 883,942</u>	<u>\$ 8,610,367</u>	<u>\$ 929,426</u>
<u>Library</u>					
Compensated absences	\$ 13,918	\$ 11,171	\$ 9,738	\$ 15,351	\$ 2,486
<u>Alcohol and Drug</u>					
Compensated absences	\$ 13,990	\$ 19,951	\$ 21,502	\$ 12,439	\$ 5,495

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT AND CURRENT REFUNDING (CONTINUED)

2. Bonds payable

There are a number of limitations and restrictions contained in the various bond indentures. Management believes the County is in compliance with all significant limitations and restrictions.

The South Carolina constitution permits the County to incur general obligation (general purpose) bonded indebtedness not to exceed eight percent of the assessed value of taxable property in the County. At June 30, 2006, the county was in compliance with this requirement.

The following is a summary of each long-term bond obligation of the governmental activities of the County at June 30, 2006.

3. General Obligation Bonds

Primary Government

Issue Date	Title of Issues	Original Principal	Principal Outstanding
January 1, 1994	General Obligation Bonds, Series 1994, 4.8% to 6.5% annual interest, semi-annual principal and interest payments, beginning in 1995, matures 2009	\$ 5,000,000	\$ 1,270,000
March 1, 1998	General Obligation Bonds, Series 1998, 3.95% to 5.95% annual interest, semi-annual principal and interest payments, beginning in 1999, matures 2014	3,800,000	2,380,000
May 1, 2002	General Obligation Bonds, Series 2002, 4.8% annual interest, annual principal and interest payments, beginning in 2003, matures 2012	1,900,000	1,235,442
November 1, 2005	General Obligation Bonds, Series 2005, 3.5% to 6.5% annual interest, semi-annual principal and interest payments, beginning in 2007, matures 2016.	6,500,000	6,500,000
	Total General Obligation Bonds	<u>\$ 17,200,000</u>	<u>\$ 11,385,442</u>

Annual requirements to amortize primary government general obligation bonds outstanding at June 30, 2006, are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,033,487	\$ 492,298	\$ 1,525,785
2008	1,127,295	438,820	1,566,115
2009	1,266,525	379,435	1,645,960
2010	951,198	311,097	1,262,295
2011	1,021,336	260,944	1,282,280
2012-2016	5,985,601	659,647	6,645,248
Total General Obligation Bonds	<u>\$ 11,385,442</u>	<u>\$ 2,542,241</u>	<u>\$ 13,927,683</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT AND CURRENT REFUNDING (CONTINUED)

General Obligation Bonds

Component Unit

Fire and Rescue General Obligation Bonds payable at June 30, 2006, consist of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
May 1, 2002	Fire Protection Service General Obligation Bonds Series 2002A, 4.75% annual interest, annual principal and interest payments beginning in 2003, matures 2012	\$ 4,000,000	\$ 2,591,554
September 1, 2002	Fire Protection Service General Obligation Bonds Series 2002B, 3.21% annual interest, annual principal and interest payments beginning in 2003, matures 2010	2,400,000	1,600,000
October 15, 2003	Fire Protection Service General Obligation Bonds Series 2003, 3.0202% annual interest, annual principal and interest payments beginning in 2004, matures 2013	2,500,000	1,900,000
November 1, 2005	Fire Protection Service General Obligation Bonds Series 2005, 3.5% to 4.0% annual interest, annual principal and interest payments beginning in 2007, matures 2016	<u>2,400,000</u>	<u>2,400,000</u>
	Total Fire Protection Service Bonds	<u>\$ 11,300,000</u>	<u>\$ 8,491,554</u>

Annual requirements to amortize Fire and Rescue general obligation bonds outstanding at June 30, 2006, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 911,454	\$ 321,124	\$ 1,232,578
2008	1,004,810	287,768	1,292,578
2009	1,049,039	251,289	1,300,328
2010	1,144,180	212,397	1,356,577
2011	1,240,279	169,206	1,409,485
2012-2016	<u>3,141,792</u>	<u>290,292</u>	<u>3,432,084</u>
Total Fire Protection Service Bonds	<u>\$ 8,491,554</u>	<u>\$ 1,532,076</u>	<u>\$ 10,023,630</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G LONG-TERM DEBT AND CURRENT REFUNDING (CONTINUED)

4. Special Source Revenue Bonds

Primary Government

Primary Government Special Source Revenue Bonds payable at June 30, 2006, consist of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
June 19, 2003	Special Source Revenue Bond Series 2003A, 6.11% annual interest, annual principal and interest payments beginning in 2004, all outstanding principal and interest due in 2010	\$ 2,300,000	\$ 1,729,768
June 19, 2003	Special Source Revenue Bond Series 2003B, 3.69% annual interest, annual principal and interest payments beginning in 2004, matures 2013	<u>2,700,000</u>	<u>1,974,886</u>
	Total Revenue Bonds	<u>\$ 5,000,000</u>	<u>\$ 3,704,654</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 455,698	\$ 180,036	\$ 635,734
2008	477,606	158,128	635,734
2009	500,637	135,097	635,734
2010	1,362,705	110,980	1,473,685
2011	291,770	33,505	325,275
2012-2013	<u>616,238</u>	<u>34,313</u>	<u>650,551</u>
Total Revenue Bonds	<u>\$ 3,704,654</u>	<u>\$ 652,059</u>	<u>\$ 4,356,713</u>

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT AND CURRENT REFUNDING (CONTINUED)

5. Note Payable

Primary Government

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Original Principal</u>	<u>Principal Outstanding</u>
May 1, 2006	Enterprise financing agreement, 4.15% semiannual interest, semiannual principal and interest payments beginning in 2007, matures 2016. See Note III. G. 7.	<u>\$ 1,511,903</u>	<u>\$ 1,511,903</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 129,596	\$ 57,587	\$ 187,183
2008	129,718	57,365	187,083
2009	135,205	51,978	187,183
2010	140,816	46,367	187,183
2011	146,660	40,523	187,183
2012-2016	<u>829,908</u>	<u>106,008</u>	<u>935,916</u>
Total	<u>\$ 1,511,903</u>	<u>\$ 359,828</u>	<u>\$ 1,871,731</u>

6. Capital Leases Payable

Primary Government

The County has entered into several capital lease agreements with payment terms varying from three to twelve years and interest rates varying from 2.39% to 4.87%, secured by a civic center, various vehicles, computer software and hardware, and other equipment.

The assets acquired through capital leases are as follows:

Building	\$ 1,936,491
Equipment	<u>2,191,733</u>
Subtotal	4,128,224
Less accumulated depreciation	<u>725,992</u>
	<u>\$ 3,402,232</u>

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT AND CURRENT REFUNDING (CONTINUED)

The remaining lease payments as of June 30, 2006, are as follows:

Year Ending June 30,	Amount
2007	\$ 1,005,748
2008	919,977
2009	119,516
2010	119,515
2011	119,515
2012-2016	597,576
2017-2018	239,031
Total minimum lease payments	3,120,878
Less amount representing interest	(434,361)
Present value of capital lease payments	\$ 2,686,517

Total interest paid on the equipment and building and improvements obligations for the year ended June 30, 2006, was approximately \$118,240.

7. Current Refunding

During the year, the County made an early payment on a portion of an enterprise financing agreement and issued a new enterprise financing agreement for the balance of \$1,511,903 in a current refunding. The refunding was undertaken to increase the payment terms of a note payable by five years, and obtain a more favorable interest rate. The reacquisition price is equal to the net carrying value of the old debt. The refunding has substantially no impact on debt service, nor does it result in any significant economic gain or loss (difference between the present values of old and new debt service payments). See Notes III. G. 5. and IV. I.

8. Conduit Debt

From time to time, the County issues industrial development revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Additionally, not-for-profit entities which provide fire protection within the County occasionally borrow funds to purchase equipment. The banks require the County's authorization of the borrowing although the loans and the related assets belong to the not-for-profit entities. The County is not obligated in any manner for repayment of the bonds and notes. Accordingly, the bonds and notes are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, there were an undetermined number of industrial revenue bonds and notes outstanding and the principal payable at June 30, 2006, could not be determined.

9. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill sites when each site stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT AND CURRENT REFUNDING (CONTINUED)

The \$227,100 reported as an accrual for landfill closure and postclosure care costs at June 30, 2006, includes the cumulative amount reported less amounts paid to date for the open site, based on the following information:

Estimated Remaining Landfill Life	Percentage Balance Of Capacity Used	Estimated Total Costs			Remaining To Be Recognized
		Closure	Postclosure	Total	
30 years	29.9%	\$ 688,000	\$ 69,000	\$ 757,000	\$ 529,900

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2006. Actual cost may be higher due to inflation, changes in technology or changes in regulations. Council has designated \$220,844 for payment of closure and post-closure care costs.

H. RESTRICTED NET ASSETS

The County has \$6,809,212 in restricted net assets, \$6,703,506 of which is restricted under state law, and \$105,706 by enabling legislation.

I. PENDING GASB STATEMENTS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is effective for the County's year ending June 30, 2009. The effects of implementation of GASB Statement No. 45 on the financial statements have not been determined.

IV. OTHER INFORMATION

A. RISK MANAGEMENT

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the County carries commercial insurance, and policies with the South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The County and its component units are covered under the same risk management umbrella and pay a pro-rata share of an annual premium for general insurance coverage. The County pays annual premiums to the State Insurance Reserve Fund for certain general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The County and its component units are also subject to risks of loss from providing health, life, accident, dental and other medical benefits to employees, retirees and their dependents. The County and its component units have enrolled substantially all employees in the State's health insurance plans administered by the South Carolina Budget and Control Board. The State reinsures through commercial companies for these risks. In addition, the County, Fire and Rescue Commission and Library insure the risk of job related injury or illness to employees through South Carolina Counties Worker's Compensation Trust, a public entity risk pool operating for the benefit of local governments. The County, and its component units pay an annual premium to the Worker's Compensation Trust for insurance coverage.

For all of the above risk management programs, the County and its component units have not significantly reduced insurance coverages from the previous year and settled claims in excess of insurance coverage for the past three years was immaterial. For each of the insurance programs and public entity risk pools in which they participate, the County and its component units have effectively transferred all risk with no liability for unfunded claims.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

IV. OTHER INFORMATION (CONTINUED)

B. DEFINED BENEFIT PENSION PLANS

Plan Description - All permanent employees of the County and its component units, except for certain employees involved in law enforcement and fire fighting activities, participate in the South Carolina Retirement System (SCRS). The employees excluded above participate in the South Carolina Police Officers' Retirement System (SCPORS). Both systems are cost sharing multiple-employer defined benefit plans administered by the Retirement Division of the State Budget and Control Board. The SCRS and SCPORS provide retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance and survivor benefits to plan members and beneficiaries. Each plan's provisions are established under Title 9 of the S.C. Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for both the SCRS and SCPORS is issued and publicly available on the internet at www.scrs.state.sc.us, or by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Funding Policy - SCRS. Plan members are required to contribute 6.25% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 7.55% of annual covered payroll. The contribution requirements of plan members and employers is established under authority of Title 9 of the S.C. Code of Laws.

Funding Policy - SCPORS. Plan members are required to contribute 6.5% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 10.3% of annual covered payroll. The contribution requirements of plan members and employers is established under authority of Title 9 of the S.C. Code of Laws.

The following table presents the required contributions to the SCRS and SCPORS by the County and its component units for the years ended June 30, 2006, 2005, and 2004:

	Year Ended June 30,		
	2006	2005	2004
SCRS Contributions			
Primary Government	\$ 466,319	\$ 325,901	\$ 390,609
Fire and Rescue	21,220	27,663	4,654
Library	22,359	18,964	18,646
Alcohol and Drug	29,389	27,341	27,757
Total SCRS	<u>\$ 539,287</u>	<u>\$ 399,869</u>	<u>\$ 441,666</u>
SCPORS Contributions			
Primary Government	\$ 298,684	\$ 277,330	\$ 362,165
Fire and Rescue	248,612	216,050	69,323
Total SCPORS	<u>\$ 547,296</u>	<u>\$ 493,380</u>	<u>\$ 431,488</u>

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

C. DEFERRED COMPENSATION PLAN

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

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

IV. OTHER INFORMATION (CONTINUED)

C. DEFERRED COMPENSATION PLAN (CONTINUED)

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

Internal Revenue Code Section 401(k) Plan – The County also offers its employees participation in a deferred compensation plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 401(k). The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k) plan. All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The funds are administered by the State of South Carolina.

D. CONTINGENT LIABILITIES

Grants. Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the general fund or other applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Litigation. The County is party to various legal proceedings which normally occur in governmental operations. These lawsuits involve environmental issues, alleged failure to appropriate proper budgets, employment matters and certain claims under contractual agreements. In the opinion of County management, based on the advice of legal counsel with respect to litigation, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the County's financial position. Additionally, the County would be allowed to appropriate any required funds in a subsequent fiscal year.

E. RELATED PARTY

The County pays rent on a monthly basis to elected magistrates for use of the magistrates' homes as an office. The total amount of rent paid during the year ended June 30, 2006, was \$6,050.

F. COMMITMENTS

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

In addition to the related party leases (Note IV. E.), the County is obligated under agreements with various parties for the rental of facilities and equipment. Rental expense associated with the leases for the year ended June 30, 2006, is \$97,713.

Future minimum rental payments required over the next five years under the noncancellable operating leases having a remaining term in excess of one year at June 30, 2006, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2007	\$ 94,385
2008	94,385
2009	94,385
2010	35,050
2011	<u>35,050</u>
	<u>\$ 353,255</u>

Construction Commitments - At June 30, 2006, the County had commitments under contracts for construction of various projects not completed of approximately \$2,583,500.

**COLLETON COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

IV. OTHER INFORMATION (CONTINUED)

G. PROPERTY TAXES

The County is permitted under South Carolina law to levy property taxes for general governmental services and payment of principal and interest on long-term debt. The County tax rate to finance general governmental services for the year ended June 30, 2006, was set by County Council at 96.1 mills (\$96.10 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 12.5 mills for debt retirement, 87.8 mills for School District general operating, 7.8 mills for School District indebtedness, 22.7 mills for fire protection, and 13.3 mills for fire debt. The assessed valuation of properties, exclusive of vehicles (valued at \$15,546,523), within the County's boundaries as of December 31, 2004, was \$140,866,298, according to the records of the County Auditor and Assessor.

H. OTHER POSTEMPLOYMENT BENEFITS

Subject to annual reappropriation, retirees may be eligible to receive up to 50% of the cost of their individual health/dental insurance purchased through the SC State health insurance program this year provided that:

- (1) The person is employed by the County at the time of his/her retirement, is at least 62 years of age, and is covered at that time under the County's health/dental insurance program; and
- (2) The employee had twenty years of qualifying, full-time employment with the County prior to their retirement; and
- (3) The employee is retiring under the South Carolina Retirement System or the South Carolina Police Retirement System.
- (4) The specified Council appropriation made by and within this ordinance for said assistance is sufficient to fund the full 50% of all costs of all those eligible for and receiving assistance under this provision for this fiscal year. This retiree assistance is for the year only and remains subject to appropriation by County Council.
- (5) Any person who retires from County employment meeting all the requirements except the age requirement, will be eligible for this funded percentage of cost assistance upon reaching the age of 62.

The County's regular insurance providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. There were four eligible participants, and post-retirement healthcare expense was \$8,863 for the year ended June 30, 2006.

Effective in fiscal year ended 2009 the County will be required to implement GASB Statement No. 45, which provides that costs for postemployment benefits be recognized as the related service is delivered rather than on a pay-as-you-go basis. The effect of implementing GASB Statement No. 45 is not known.

I. SPECIAL ITEM

In the past, hospitality tax revenue had been earmarked to pay an enterprise financing agreement undertaken to help fund the construction of a VA Nursing Home to be located in the County. The Town of Walterboro reached an agreement to pay \$1,511,903 to the County to assist in the payment of the debt in exchange for a portion of the hospitality tax revenue stream. The transaction is reported as a special item on the Statement of Activities and the Statement of Revenue, Expenditures and Changes in Fund Balances. See Note III, G. 5. and 7.

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

COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance with final budget positive (negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 16,843,247	\$ 16,843,247	\$ 15,792,299	\$ (1,050,948)
Licenses and permits	114,000	114,000	142,560	28,560
Intergovernmental revenues	2,160,635	2,176,635	2,149,532	(27,103)
Fines, fees and service charges	1,135,850	1,135,850	1,467,607	331,757
Interest income	82,000	82,000	211,217	129,217
Other Income	4,200	4,200	34,758	30,558
Total revenues	20,339,932	20,355,932	19,797,973	(557,959)
Expenditures				
Current				
General government	6,162,757	6,224,072	5,575,367	648,705
Judicial	1,240,681	1,240,681	1,214,665	26,016
Public safety	7,744,517	7,786,838	7,696,512	90,326
Streets and highways	80,803	77,697	66,003	11,694
Recreation and culture	853,804	854,760	809,367	45,393
Health and human services	501,607	526,700	521,863	4,837
Economic development	265,426	303,926	247,000	56,926
Intergovernmental	205,100	205,100	205,100	-
Debt service				
Principal retirement	904,897	885,485	884,504	981
Interest and fiscal charges	52,820	63,765	63,712	53
Total expenditures	18,012,412	18,169,024	17,284,093	884,931
Excess (deficiency) of revenues over (under) expenditures	2,327,520	2,186,908	2,513,880	326,972
Other financing sources (uses)				
Sale of capital assets	10,000	117,723	94,788	(22,935)
Capital lease proceeds	-	-	660,000	660,000
Transfers in	-	5,400	5,400	-
Transfers out	(2,438,464)	(4,224,676)	(4,210,453)	14,223
Total other financing sources (uses)	(2,428,464)	(4,101,553)	(3,450,265)	651,288
Net changes in fund balance	(100,944)	(1,914,645)	(936,385)	978,260
Fund balances				
Beginning of year	7,208,499	7,208,499	7,208,499	-
End of year	\$ 7,107,555	\$ 5,293,854	\$ 6,272,114	\$ 978,260

The accompanying Notes to Budgetary Comparison Schedule are an integral part of this schedule.

**COLLETON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

Annual budgets are adopted for the General Fund on the modified accrual basis with the exception of delinquent property taxes, which are adopted on the cash basis. During the year ended June 30, 2006, delinquent tax cash basis revenues were substantially the same as the modified accrual basis. Therefore, no adjustment has been made to the presentation of actual tax revenues.

All agencies of the County must submit requests for appropriations to the County Administrator along with revenue estimates so that a budget may be prepared. The Finance Director compiles all budget requests, and the proposed budget is presented to County Council for review. The Council holds public hearings and adopts the final budget by June 30 through passage of an ordinance.

The legal level of budgetary control is determined by County Council at the fund level. Budgets are prepared by fund, function, and department. Department heads are permitted to transfer appropriations within their department for any non-personnel related costs. The County Administrator is permitted to transfer non-personnel appropriations between departments. The budget ordinance must be amended by County Council to effect changes in the total appropriations or in personnel-related costs.

Budgets, as reported in the accompanying schedule, are as originally passed by ordinance and subsequently amended. During the year, supplementary appropriations were necessary. The budget amendments included increases and decreases within individual departments, the planned use of fund balance for various expenditures and increases in transfers to other funds. Supplementary appropriations to fund operations in the General Fund amounted to \$313,701, which was funded from fund balance. In addition, a further \$1,500,000 of fund balance was appropriated to create the Capital Improvements Fund.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue				
	Capital Improvements	Sheriff's Incentives	Special Grants	State Grant	Clerk of Court Unit Costs
Assets					
Cash and investments	\$ 2,228,736	\$ 20	\$ 362,752	\$ 33,771	\$ 15,632
Receivables, net of allowances					
Property taxes	-	-	-	-	-
Accounts	-	-	1,059	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governments	-	495	353,337	-	8,360
Temporarily restricted					
Cash and investments	-	-	6,492	-	-
Total assets	\$ 2,228,736	\$ 515	\$ 723,640	\$ 33,771	\$ 23,992
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	3,537	178,468	-	23,992
Due to other governments	-	-	-	-	-
Deferred revenues	-	-	249,487	-	-
Total liabilities	-	3,537	427,955	-	23,992
Fund Balances (Deficit)					
Reserved for					
Encumbrances	258,000	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved					
Designated for					
Road projects	-	-	200,000	-	-
Landfill closure	-	-	-	-	-
Undesignated, reported in					
Special revenue funds	1,970,736	(3,022)	95,685	33,771	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total fund balances (deficit)	2,228,736	(3,022)	295,685	33,771	-
Total liabilities and fund balances	\$ 2,228,736	\$ 515	\$ 723,640	\$ 33,771	\$ 23,992

Special Revenue

Clerk of Court Incentives	Victims Witness Services	Animal Care and Control	Emergency Telephone	Promotion of Tourism Board	Special Project Tourism Board	County Promotion of Tourism Hospitality Tax
\$ 73,669	\$ 69,311	\$ 45,498	\$ 71,005	\$ 65	\$ 33	\$ 263,745
-	-	-	-	-	-	-
-	-	-	-	-	-	5,681
22,127	9,008	227	-	-	-	-
-	-	-	-	-	-	-
1,033	232	-	55,198	-	-	-
-	-	-	-	-	-	-
<u>\$ 96,829</u>	<u>\$ 78,551</u>	<u>\$ 45,725</u>	<u>\$ 126,203</u>	<u>\$ 65</u>	<u>\$ 33</u>	<u>\$ 269,426</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
-	-	240	3,011	-	-	12
-	100	-	-	-	-	247,992
-	5,598	12,705	-	-	-	-
-	5,698	12,945	3,011	-	-	298,004
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
96,829	72,853	32,780	123,192	65	33	(28,578)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>96,829</u>	<u>72,853</u>	<u>32,780</u>	<u>123,192</u>	<u>65</u>	<u>33</u>	<u>(28,578)</u>
<u>\$ 96,829</u>	<u>\$ 78,551</u>	<u>\$ 45,725</u>	<u>\$ 126,203</u>	<u>\$ 65</u>	<u>\$ 33</u>	<u>\$ 269,426</u>

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue			
	County Accommo- dations Tax	Public Defender	Roads and Bridges	Solid Waste
Assets				
Cash and investments	\$ 658,349	\$ 23,270	\$ 263,908	\$ 642,852
Receivables, net of allowances				
Property taxes	-	-	-	-
Accounts	62,863	3,852	9,679	39,048
Other	-	-	-	-
Due from other funds	-	-	1,088	-
Due from component units	-	-	8,618	-
Due from other governments	-	-	-	24,089
Temporarily restricted				
Cash and investments	-	-	-	-
Total assets	\$ 721,212	\$ 27,122	\$ 283,293	\$ 705,989
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	3,145	4,818	177,587	105,185
Due to other governments	-	-	-	-
Deferred revenues	-	-	-	4,190
Total liabilities	3,145	4,818	177,587	109,375
Fund Balances (Deficit)				
Reserved for				
Encumbrances	-	-	105,706	-
Capital projects	-	-	-	-
Unreserved				
Designated for				
Road projects	-	-	-	-
Landfill closure	-	-	-	220,844
Undesignated, reported in				
Special revenue funds	718,067	22,304	-	375,770
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Total fund balances (deficit)	718,067	22,304	105,706	596,614
Total liabilities and fund balances	\$ 721,212	\$ 27,122	\$ 283,293	\$ 705,989

		Capital Projects				Economic Development and Capital Improvements
Program Income Projects	Sheriff's Discretionary Funds	Industrial Development	Government Bond 2002	SSRB Economic Development		
\$ 250	\$ 277,075	\$ 184,443	\$ 14,762	\$ 340,962	\$ 3,080,254	
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	138,162	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 250</u>	<u>\$ 277,075</u>	<u>\$ 322,605</u>	<u>\$ 14,762</u>	<u>\$ 340,962</u>	<u>\$ 3,080,254</u>	
\$ -	\$ 338,626	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	485	800	-	-	182,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	338,626	485	800	-	-	182,000
-	-	80,000	-	-	-	-
-	-	-	13,962	340,962	-	2,898,254
-	-	-	-	-	-	-
-	-	-	-	-	-	-
250	(61,551)	-	-	-	-	-
-	-	242,120	-	-	-	-
-	-	-	-	-	-	-
<u>250</u>	<u>(61,551)</u>	<u>322,120</u>	<u>13,962</u>	<u>340,962</u>	<u>2,898,254</u>	
<u>\$ 250</u>	<u>\$ 277,075</u>	<u>\$ 322,605</u>	<u>\$ 14,762</u>	<u>\$ 340,962</u>	<u>\$ 3,080,254</u>	

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Debt Service			Total Nonmajor Governmental Funds
	County Debt Service	SSRB Canadays	Non GOB Debt Service	
Assets				
Cash and investments	\$ 1,477,294	\$ 143,192	\$ 194	\$ 10,271,042
Receivables, net of allowances				
Property taxes	1,309,529	-	-	1,309,529
Accounts	-	-	-	122,182
Other	-	-	-	227
Due from other funds	-	-	-	32,223
Due from component units	-	-	-	8,618
Due from other governments	5,944	-	-	586,850
Temporarily restricted				
Cash and investments	-	-	-	6,492
Total assets	\$ 2,792,767	\$ 143,192	\$ 194	\$ 12,337,163
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 388,626
Due to other funds	530,330	-	-	1,213,610
Due to other governments	-	-	-	248,092
Deferred revenues	1,286,769	-	-	1,558,749
Total liabilities	1,817,099	-	-	3,409,077
Fund Balances (Deficit)				
Reserved for				
Encumbrances	-	-	-	443,706
Capital projects	-	-	-	3,253,178
Unreserved				
Designated for				
Road projects	-	-	-	200,000
Landfill closure	-	-	-	220,844
Undesignated, reported in				
Special revenue funds	-	-	-	3,449,184
Capital projects funds	-	-	-	242,120
Debt service funds	975,668	143,192	194	1,119,054
Total fund balances (deficit)	975,668	143,192	194	8,928,086
Total liabilities and fund balances	\$ 2,792,767	\$ 143,192	\$ 194	\$ 12,337,163

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	Special Revenue				
	Capital Improvements	Sheriff's Incentives	Special Grants	State Grant	Clerk of Court Unit Costs
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	13,745	747,943	-	101,205
Fines and fees	-	-	-	-	-
Interest income	736	1	2,793	-	95
Other income	-	-	91,771	-	-
Total revenues	736	13,746	842,507	-	101,300
Expenditures					
Current					
General government	-	-	51,042	3	-
Judicial	-	-	-	-	101,300
Public safety	-	16,768	356,022	-	-
Streets and highways	-	-	-	-	-
Sanitation	-	-	-	-	-
Recreation and culture	-	-	36,709	-	-
Health and human services	-	-	382,488	-	-
Economic development	-	-	10,000	-	-
Intergovernmental	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	16,768	836,261	3	101,300
Excess (deficiency) of revenues over expenditures	736	(3,022)	6,246	(3)	-
Other financing sources (uses)					
Refunding debt issued	-	-	-	-	-
Payment to refund debt	-	-	-	-	-
Transfers in	2,228,000	-	200,000	-	-
Transfers out	-	-	(5,401)	-	-
Total other financing sources (uses)	2,228,000	-	194,599	-	-
Excess(deficiency) before special item	2,228,736	(3,022)	200,845	(3)	-
Special item					
Intergovernmental revenue received as a result of negotiated settlement	-	-	-	-	-
Net changes in fund balances	2,228,736	(3,022)	200,845	(3)	-
Fund balances (deficit)					
Beginning of year	-	-	94,840	33,774	-
End of year	\$ 2,228,736	\$ (3,022)	\$ 295,685	\$ 33,771	\$ -

Special Revenue

Clerk of Court Incentives	Victims Witness Services	Animal Care and Control	Emergency Telephone	Promotion of Tourism Board	Special Project Tourism Board	County Promotion of Tourism Hospitality Tax
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 351,314
104,561	-	-	-	-	-	-
-	110,367	12,790	295,161	-	-	-
475	414	264	492	-	243	6,781
-	-	5,020	-	-	-	-
<u>105,036</u>	<u>110,781</u>	<u>18,074</u>	<u>295,653</u>	<u>-</u>	<u>243</u>	<u>358,095</u>
-	-	-	-	-	-	20,633
8,207	-	-	-	-	-	-
-	65,393	9,873	305,248	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	67,430	35,000
-	-	-	-	-	-	-
-	-	-	-	-	-	59,311
-	-	-	-	-	-	569,400
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>8,207</u>	<u>65,393</u>	<u>9,873</u>	<u>305,248</u>	<u>-</u>	<u>67,430</u>	<u>684,344</u>
<u>96,829</u>	<u>45,388</u>	<u>8,201</u>	<u>(9,595)</u>	<u>-</u>	<u>(67,187)</u>	<u>(326,249)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	9,600	-
-	-	-	-	-	-	(480,971)
-	-	-	-	-	9,600	(480,971)
<u>96,829</u>	<u>45,388</u>	<u>8,201</u>	<u>(9,595)</u>	<u>-</u>	<u>(57,587)</u>	<u>(807,220)</u>
-	-	-	-	-	-	-
<u>96,829</u>	<u>45,388</u>	<u>8,201</u>	<u>(9,595)</u>	<u>-</u>	<u>(57,587)</u>	<u>(807,220)</u>
-	27,465	24,579	132,787	65	57,620	778,642
<u>\$ 96,829</u>	<u>\$ 72,853</u>	<u>\$ 32,780</u>	<u>\$ 123,192</u>	<u>\$ 65</u>	<u>\$ 33</u>	<u>\$ (28,578)</u>

COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue			
	County Accommo- dations Tax	Public Defender	Roads and Bridges	Solid Waste
Revenues				
Taxes	\$ 453,885	\$ -	\$ 853,552	\$ -
Intergovernmental revenues	-	46,227	-	83,336
Fees and service charges	-	-	-	456,733
Interest income	5,128	303	6,390	9,323
Other income	-	-	-	-
Total revenues	<u>459,013</u>	<u>46,530</u>	<u>859,942</u>	<u>549,392</u>
Expenditures				
Current				
General government	5,761	-	-	-
Judicial	-	278,458	-	-
Public safety	-	-	-	-
Streets and highways	-	-	1,590,802	-
Sanitation	-	-	-	1,789,779
Recreation and culture	66,033	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Intergovernmental	19,566	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>91,360</u>	<u>278,458</u>	<u>1,590,802</u>	<u>1,789,779</u>
Excess (deficiency) of revenues over expenditures	<u>367,653</u>	<u>(231,928)</u>	<u>(730,860)</u>	<u>(1,240,387)</u>
Other financing sources (uses)				
Refunding debt issued	-	-	-	-
Payment to refund debt	-	-	-	-
Transfers in	-	243,420	730,860	1,526,574
Transfers out	(119,516)	-	(378,000)	(350,000)
Total other financing sources (uses)	<u>(119,516)</u>	<u>243,420</u>	<u>352,860</u>	<u>1,176,574</u>
Excess(deficiency) before special item	248,137	11,492	(378,000)	(63,813)
Special item				
Intergovernmental revenue received as a result of negotiated settlement	-	-	-	-
Net changes in fund balances	248,137	11,492	(378,000)	(63,813)
Fund balances (deficit)				
Beginning of year	<u>469,930</u>	<u>10,812</u>	<u>483,706</u>	<u>660,427</u>
End of year	<u>\$ 718,067</u>	<u>\$ 22,304</u>	<u>\$ 105,706</u>	<u>\$ 596,614</u>

Capital Projects					
Program Income Projects	Sheriff's Discretionary Funds	Industrial Development	Government Bond 2002	SSRB Economic Development	Economic Development and Capital Improvements
\$ -	\$ -	\$ 140,022	\$ -	\$ -	\$ -
-	360,386	-	-	-	-
-	16,118	-	-	-	-
-	1,108	3,170	664	3,301	95,136
-	25,131	-	-	-	-
-	402,743	143,192	664	3,301	95,136
10	-	-	-	-	24
-	-	-	-	-	-
-	148,234	-	6,704	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	85,000	-	-	-
-	-	86,049	8,918	-	-
-	-	-	129,459	-	-
-	-	40,390	185,716	-	967,302
-	-	-	-	-	-
-	-	-	-	-	-
10	148,234	211,439	330,797	-	967,326
(10)	254,509	(68,247)	(330,133)	3,301	(872,190)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(147,465)
-	-	-	-	-	-
-	-	-	-	-	(147,465)
(10)	254,509	(68,247)	(330,133)	3,301	(1,019,655)
-	-	-	-	-	-
(10)	254,509	(68,247)	(330,133)	3,301	(1,019,655)
260	(316,060)	390,367	344,095	337,661	3,917,909
\$ 250	\$ (61,551)	\$ 322,120	\$ 13,962	\$ 340,962	\$ 2,898,254

(continued)

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

Page 3 of 3

	Debt Service			Total Nonmajor Governmental Funds
	County Debt Service	SSRB Canadays	Non GOB Debt Service	
Revenues				
Taxes	\$ 1,686,776	\$ 629,741	\$ -	\$ 4,115,290
Intergovernmental revenues	-	-	-	1,457,403
Fees and service charges	-	-	-	891,169
Interest income	26,682	1,542	174	165,215
Other income	-	-	-	121,922
Total revenues	1,713,458	631,283	174	6,750,999
Expenditures				
Current				
General government	1,781	-	-	79,254
Judicial	-	-	-	387,965
Public safety	-	-	-	908,242
Streets and highways	-	-	-	1,590,802
Sanitation	-	-	-	1,789,779
Recreation and culture	-	-	-	205,172
Health and human services	-	-	-	467,488
Economic development	-	-	-	164,278
Intergovernmental	-	-	-	718,425
Capital outlay	-	-	-	1,193,408
Debt service				
Principal retirement	800,084	434,857	279,739	1,514,680
Interest and fiscal charges	354,566	200,910	320,748	876,224
Total expenditures	1,156,431	635,767	600,487	9,895,717
Excess (deficiency) of revenues over expenditures	557,027	(4,484)	(600,313)	(3,144,718)
Other financing sources (uses)				
Refunding debt issued	-	-	1,511,903	1,511,903
Payment to refund debt	-	-	(3,023,806)	(3,023,806)
Transfers in	-	147,465	600,487	5,686,406
Transfers out	-	-	-	(1,481,353)
Total other financing sources (uses)	-	147,465	(911,416)	2,693,150
Excess(deficiency) before special item	557,027	142,981	(1,511,729)	(451,568)
Special item				
Intergovernmental revenue received as a result of negotiated settlement	-	-	1,511,903	1,511,903
Net changes in fund balances	557,027	142,981	174	1,060,335
Fund balances (deficit)				
Beginning of year	418,641	211	20	7,867,751
End of year	\$ 975,668	\$ 143,192	\$ 194	\$ 8,928,086

**COLLETON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
JUNE 30, 2006**

	Sheriff	Water- shed	Transportation Committee	Tax Collector	Clerk of Court	Magistrates	Probate Judge	Firemen's Fund	Schools	Total
Assets										
Cash and investments	\$ 78,954	\$ 630	\$ 5,342,320	\$ 1,218,715	\$ 363,885	\$ 62,839	\$ 12,267	\$ 48,714	\$ 1,513,873	\$ 8,642,197
Accounts receivable	-	-	139,107	-	-	-	-	89,069	-	228,176
Total assets	\$ 78,954	\$ 630	\$ 5,481,427	\$ 1,218,715	\$ 363,885	\$ 62,839	\$ 12,267	\$ 137,783	\$ 1,513,873	\$ 8,870,373
Liabilities										
Assets held for others	\$ 78,954	\$ 630	\$ 5,481,427	\$ 1,218,715	\$ 363,885	\$ 62,839	\$ 12,267	\$ 137,783	\$ 1,513,873	\$ 8,870,373
Total liabilities	\$ 78,954	\$ 630	\$ 5,481,427	\$ 1,218,715	\$ 363,885	\$ 62,839	\$ 12,267	\$ 137,783	\$ 1,513,873	\$ 8,870,373

DISCRETELY PRESENTED COMPONENT UNITS

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY FIRE AND RESCUE COMMISSION
BALANCE SHEET
JUNE 30, 2006**

	General	Capital Projects	Debt Service	Total
Assets				
Cash and investments	\$ 457,439	\$ -	\$ -	\$ 457,439
Receivables, net of allowances				
Property taxes	1,800,275	-	917,041	2,717,316
Accounts	762,330	-	-	762,330
Due from primary government	-	-	20,205	20,205
Due from other governments	2,962	-	4,507	7,469
Temporarily restricted assets				
Cash and investments	23,254	1,401,650	357,161	1,782,065
Total assets	\$ 3,046,260	\$ 1,401,650	\$ 1,298,914	\$ 5,746,824
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 223	\$ -	\$ -	\$ 223
Due to primary government	48,848	13,832	-	62,680
Deferred revenues	2,325,906	-	891,522	3,217,428
Total liabilities	2,374,977	13,832	891,522	3,280,331
Fund Balances				
Reserved for capital projects	23,254	1,387,818	-	1,411,072
Undesignated, reported in				
General fund	648,029	-	-	648,029
Debt service	-	-	407,392	407,392
Total fund balances	671,283	1,387,818	407,392	2,466,493
Total liabilities and fund balances	\$ 3,046,260	\$ 1,401,650	\$ 1,298,914	

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

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$11,167,989 and the accumulated depreciation is \$4,376,067.	6,791,922
Disbursements for insurance policies reflected in the funds cover periods extending beyond year-end.	67,686
Costs associated with the issuance of long-term debt are deferred and amortized over the term of the debt.	24,508
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	\$ (8,491,554)
Accrued interest	(106,951)
Compensated absences payable	(118,813)
	(8,717,318)

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	\$ 147,896	
Fees for emergency medical services	570,037	717,933
Net assets of governmental activities		\$ 1,351,224

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY FIRE AND RESCUE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	General	Capital Projects	Debt Service	Total
Revenues				
Taxes	\$ 2,030,231	\$ -	\$ 1,176,633	\$ 3,206,864
Intergovernmental revenues	2,305,157	-	-	2,305,157
Fines and fees	810,741	-	-	810,741
Interest income	8,573	37,282	10,902	56,757
Other income	13,737	-	-	13,737
Total revenues	5,168,439	37,282	1,187,535	6,393,256
Expenditures				
Current				
General government	-	1,750	-	1,750
Public safety	4,957,351	198,942	-	5,156,293
Capital outlay	124,045	824,264	-	948,309
Debt service				
Bond issuance costs	-	24,508	-	24,508
Principal retirement	-	-	818,930	818,930
Interest and fiscal charges	-	-	291,271	291,271
Total expenditures	5,081,396	1,049,464	1,110,201	7,241,061
Excess (deficiency) of revenues over (under) expenditures	87,043	(1,012,182)	77,334	(847,805)
Other financing sources (uses)				
Sale of capital assets	11,133	-	-	11,133
General obligation debt issued	-	2,400,000	-	2,400,000
Total other financing sources (uses)	11,133	2,400,000	-	2,411,133
Net changes in fund balance	98,176	1,387,818	77,334	1,563,328
Fund balances				
Beginning of year	573,107	-	330,058	903,165
End of year	\$ 671,283	\$ 1,387,818	\$ 407,392	\$ 2,466,493

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY FIRE AND RESCUE COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds **\$ 1,563,328**

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	\$ 948,309	
Depreciation expense	<u>(673,344)</u>	274,965

Disbursements for costs associated with the issuance of long-term debt are expenditures in the governmental funds but are deferred and amortized over the term of the debt in the statement of net assets. 24,508

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

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

Property taxes	\$ (161,963)	
Fees for emergency medical services	(277,118)	

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

Property taxes	147,896	
Fees for emergency medical services	<u>570,037</u>	278,852

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. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Issuance of debt	\$ (2,400,000)	
Principal repayments	<u>818,930</u>	(1,581,070)

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	\$ (18,295)	
Accrued interest	<u>(10,866)</u>	<u>(29,161)</u>

Change in net assets of governmental activities **\$ 531,422**

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY MEMORIAL LIBRARY
BALANCE SHEET
JUNE 30, 2006**

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 35,112	\$ 181	\$ 35,293
Receivables	61	-	61
Due from other governments	773	-	773
Total assets	\$ 35,946	\$ 181	\$ 36,127
Liabilities and Fund Balances			
Liabilities			
Due to primary government	\$ 8,425	\$ -	8,425
Deferred revenues	8,757	-	8,757
Total liabilities	17,182	-	17,182
Fund Balances			
Undesignated, reported in			
General fund	18,764	-	18,764
Special revenue funds	-	181	181
Total fund balances	18,764	181	18,945
Total liabilities and fund balances	\$ 35,946	\$ 181	

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

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$1,734,307 and the accumulated depreciation is \$1,340,327.	393,980
Disbursements for insurance policies reflected in the funds cover periods extending beyond year-end.	4,895
Long-term liabilities, such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(15,351)
Net assets of governmental activities	<u>\$ 402,469</u>

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY MEMORIAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Intergovernmental revenues	\$ 530,958	\$ 76,528	\$ 607,486
Donations	27,341	-	27,341
Interest income	392	135	527
Other income	24,040	-	24,040
Total revenues	<u>582,731</u>	<u>76,663</u>	<u>659,394</u>
Expenditures			
Current			
Recreation and culture	574,274	76,596	650,870
Total expenditures	<u>574,274</u>	<u>76,596</u>	<u>650,870</u>
Net changes in fund balance	8,457	67	8,524
Fund balances			
Beginning of year	<u>10,307</u>	<u>114</u>	
End of year	<u>\$ 18,764</u>	<u>\$ 181</u>	

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

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

Capital outlay	\$ 163,028	
Depreciation expense	<u>(136,079)</u>	26,949

In the statement of activities, revenue from books contributed to the Library is reported. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements. 6,948

Expenses reported in the statement of activities for compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (1,433)

Change in net assets of governmental activities \$ 40,988

**COLLETON COUNTY, SOUTH CAROLINA
DISCRETELY PRESENTED COMPONENT UNITS
COLLETON COUNTY MEMORIAL LIBRARY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
State lottery funds	\$ 2,280	\$ 2,280	\$ 2,280	\$ -
County appropriation	468,877	468,877	468,877	-
Other state grants	9,428	61,018	59,801	(1,217)
Fines and fees	-	23,630	24,040	410
Interest income	-	85	392	307
Donations	6,677	22,918	27,341	4,423
Total revenues	487,262	578,808	582,731	3,923
Expenditures				
Current				
Personnel costs	409,023	419,941	405,999	13,942
Administrative costs	28,446	52,733	51,070	1,663
Programs and materials	49,793	119,134	117,205	1,929
Total expenditures	487,262	591,808	574,274	17,534
Net changes in fund balance	-	(13,000)	8,457	21,457
Fund balances				
Beginning of year	10,307	10,307	10,307	-
End of year	<u>\$ 10,307</u>	<u>\$ (2,693)</u>	<u>\$ 18,764</u>	<u>\$ 21,457</u>

OTHER FINANCIAL INFORMATION

COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
YEAR ENDED JUNE 30, 2006

Court fines, surcharges and assessments:	
Collected	\$ 2,682,089
Remitted to State Treasurer	<u>(1,128,991)</u>
Retained by County	<u>\$ 1,553,098</u>
Fines, surcharges and assessments retained by County:	
General fund	\$ 1,442,731
Victims advocate services	<u>110,367</u>
Total surcharges and assessments	<u>\$ 1,553,098</u>
Funds allocated to victims advocate service	
Carryover funds from prior year	\$ 27,465
Interest earned	414
Surcharges and assessments retained	110,367
Expenditures for victims advocate service	<u>(65,393)</u>
Total (over) under expenditure of victims advocate service funds	<u>\$ 72,853</u>

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Page 1 of 2

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through S.C. Department of Social Services			
Summer Food Service Program for Children	10.559	SF-134	\$ 137,156
Summer Food Service Program for Children	10.559	SF-134	232,986
Total U.S. Department of Agriculture			<u>370,142</u>
U.S. Department of Justice			
Direct			
Federal Equitable Sharing Program	16.000	N/A	140,988
Bulletproof Vest Partnership Grant	16.607	1008402	5,401
Local Law Enforcement Block Grant	16.592	2003-LB-BX-1571	14,798
Local Law Enforcement Block Grant	16.592	2004-LB-BX-1094	23,311
	Total 16.592		<u>38,109</u>
Direct			
Edwards Brynes Memorial	16.738	2005-DJBX-0165	38,806
Passed through S.C. Department of Public Safety			
State Criminal Alien Assistance Program	16.606	2006-F3089-SC-AP	1,834
Methamphetamine Training and Education Program	16.579	1DM03015	158
Total U.S. Department of Justice			<u>225,296</u>
U.S. Department of Homeland Security			
Passed through S.C. Emergency Management Division			
2004 Citizen Corps Grant	97.004	#4CC01	97
2004 Citizen Corps Grant	97.004	#4CC02	5,988
	Total 97.004		<u>6,085</u>
2006 Emergency Management Performance Grant	97.042	6EMPG01	17,429
Assistance to Firefighters	97.044	EMW-2004-FG-19506	178,508
2005 Citizen Corps Grant	97.067	#5CC02	6,794
2005 Emergency Management Performance Grant	97.067	5EMPG01	5,140
Passed through S.C. Law Enforcement Department			
County Homeland Security Allocation	97.067	5SHP15	116,911
Law Enforcement Terrorism Prevent Grant	97.067	5LETP15	34,457
	Total 97.067		<u>163,302</u>
Total U.S. Department of Homeland Security			<u>365,324</u>

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Page 2 of 2

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through S.C. Department of Social Services			
P.A.R.E.N.T. - Adolescent Pregnancy Prevention Initiatives	93.558	G60051T	\$ 51,425
Child Support Enforcement			
IV-D Incentive Payments	93.563	C60015C-2	36,556
IV-D Sheriff's Department	93.563	C60061C-2	13,745
IV-D Family Court	93.563	C60015C-2	101,205
	Total 93.563		<u>151,506</u>
Federal Financial Participation			
Family Preservation (CWS Part II)	93.556		1,732
TANF Block Grant	93.558		34,299
Child Support Enforcement	93.563		66
Child Welfare Services - State Grant	93.645		3,522
Title IV-E Foster Care	93.658		3,948
Social Services Block Grant	93.667	Reimbursement from SCDHHS	11,673
Medicaid Programs	93.778	Reimbursement from SCDHHS	11,341
State Administration Matching Grant Food Stamp Program	10.561	29.67%	28,089
	Total Federal Financial Participation		<u>94,670</u>
Total U.S. Department of Health and Human Services			<u>297,601</u>
U.S. Election Assistance Commission			
Direct			
Help America Vote Act of 2002	90.401	N/A	28,036
Institute of Museum and Library Services			
Direct			
LSTA Project IIA-Countywide Access	45.310	LSTA-IID-04-15	9,429
Passed through S.C. State Library			
IMLS Award FY2005	42.312	CL-00-05-0002-07	49,600
Total Institute of Museum and Library Services			<u>59,029</u>
U.S. Department of Transportation			
Direct			
Pipeline and Hazardous Materials Administration	20.703	HMES5042130	1,141
Total Expenditures of Federal Awards			<u>\$ 1,346,569</u>

The accompanying notes are an integral part of this schedule.

**COLLETON COUNTY, SOUTH CAROLINA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred.

GOVERNMENT AUDITING STANDARDS AND SINGLE AUDIT REPORTS



BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

Certified Public Accountants and Financial Advisors

Martha H. Bryan, CPA
James T. Truesdale, CPA
Ellen K. Adkins, CPA
Betsy M. Williams, CPA, CFP®
Charlotte E. Allen, CPA, CFE

100 South Main Street, Suite G
Post Office Box 1588
Summerville, South Carolina 29484
Tele: 843.873.4400 Fax: 843.873.7227
Toll Free: 800.551.6032
Email: btaw@btaw-cpas.com

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Colleton County, South Carolina**, as of and for the year ended June 30, 2006, which collectively comprise **Colleton County, South Carolina's** basic financial statements and have issued our report thereon dated October 13, 2006. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Colleton County Commission on Alcohol and Drug Abuse, a discretely presented component unit, as described in our report on **Colleton County, South Carolina's** financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Colleton County, South Carolina's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Colleton County, South Carolina's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However we noted certain matters that we reported to management of **Colleton County, South Carolina**, in a separate letter dated October 13, 2006.

To the Members of County Council
Colleton County, South Carolina
Page Two

This report is intended solely for the information and use of management, County Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bryan, Tuesdale Adkins & Williams, PA

October 13, 2006



BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

Certified Public Accountants and Financial Advisors

Martha H. Bryan, CPA
James T. Truesdale, CPA
Ellen K. Adkins, CPA
Betsy M. Williams, CPA, CFP®
Charlotte E. Allen, CPA, CFE

100 South Main Street, Suite G
Post Office Box 1588
Summerville, South Carolina 29484
Tele: 843.873.4400 Fax: 843.873.7227
Toll Free: 800.551.6032
Email: btaw@btaw-cpas.com

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

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

Compliance

We have audited the compliance of **Colleton County, South Carolina**, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. **Colleton County, South Carolina's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Colleton County, South Carolina's** management. Our responsibility is to express an opinion on **Colleton County, South Carolina's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Colleton County, South Carolina's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Colleton County, South Carolina's** compliance with those requirements.

In our opinion, **Colleton County, South Carolina**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of **Colleton County, South Carolina**, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Colleton County, South Carolina's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

To the Members of County Council
Colleton County, South Carolina
Page Two

This report is intended solely for the information and use of management, County Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bryan, Truesdale, Adkins + Williams, PA

October 13, 2006

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ___ yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

CFDA Number(s)

10.559

Name of Federal Program or Cluster

Summer Food Service Program for Children

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

Auditee qualified as low-risk auditee? X yes no

**COLLETON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

Section II - Financial Statement Findings

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
NONE		

Section III - Federal Award Findings and Questioned Costs

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
NONE		

**COLLETON COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006**

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
NONE		