

**DORCHESTER COUNTY,
SOUTH CAROLINA**

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

**AS OF AND FOR THE
YEAR ENDED JUNE 30, 2007**

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Independent Auditor's Report

To the Members of County Council
Dorchester County, South Carolina
St. George, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of **Dorchester County, South Carolina**, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Dorchester 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 Dorchester County Library, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of **Dorchester County, South Carolina**, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note III. H., the County has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of June 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2008, on our consideration of **Dorchester County, South Carolina's** internal control over financial reporting and 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 assessing the results of our audit.

To the Members of County Council
Dorchester County, South Carolina
St. George, South Carolina
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The Management's Discussion and Analysis and the Budgetary Comparison Schedules on pages 3 through 10 and 48 through 51, 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 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 **Dorchester County, South Carolina's** basic financial statements. The combining nonmajor fund 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 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 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 **Dorchester 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

January 18, 2008

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**DORCHESTER COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

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As management of Dorchester County (the County), we offer the readers of Dorchester County's financial statements this narrative overview and analysis of the financial activities of Dorchester County for the year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

Financial Highlights

The assets of Dorchester County exceeded its liabilities at June 30, 2007, by \$191,487,463. Of this amount, unrestricted net assets of \$30,303,783 may be used to meet the government's ongoing obligations to citizens and creditors.

The total net assets increased by \$71,311,474. Of this amount, \$23,947,782 was associated with current governmental activities and \$12,252,942 with business-type activities. The balance of the change, \$35,110,750, was attributable to the retroactive reporting of infrastructure mandated by Government Accounting Standards Board Statement No. 34. See Note III. H. to the financial statements.

At the end of the fiscal year, Dorchester County's governmental funds reported combined ending fund balances of \$37,751,924. This is an increase of \$7,756,441 from the prior year. Of the total, \$37,072,637 is available for spending (unreserved fund balance) on behalf of its citizens.

At the end of the fiscal year, unreserved, undesignated fund balance for the general fund was \$10,012,994 which represents a 32 percent increase from the prior year and represents 32 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Dorchester County's basic financial statements. The basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* provide a broad overview of Dorchester County's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about Dorchester County's financial position.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Dorchester County include general government, public safety, public works, health and welfare, culture and recreation, economic development, and other charges. The major business-type activities of Dorchester County include water and sewer systems, solid waste systems, and storm-water systems.

**DORCHESTER COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The government-wide financial statements include not only Dorchester County itself (known as the *primary government*), but also the legally separate Dorchester County Library and Dorchester County Transportation Authority which are reported as component units of the County and for which the County is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

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. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Dorchester County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Most of Dorchester County's basic services are reported in the governmental funds financial statements, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Dorchester County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided to reconcile the two types of statements.

Proprietary Funds. Services for which Dorchester County charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information. These funds are similar to the government-wide business-type activities, but provide more detail and additional information, such as a cash flow statement.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Budgetary Comparison Schedules. The County adopts an annual appropriated budget for its general fund and capital improvements fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budget.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules.

**DORCHESTER COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

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Government-wide Financial Analysis

Net Assets. The County's Net Assets comparing 2007 to 2006 is as follows, first for the Governmental Activities and then for the Business Type Activities:

**Net Assets of Primary Government
June 30, 2007 and 2006**

	Governmental Activities	
	2007	2006 as restated*
Current, Restricted and Other Assets	\$ 68,455,543	\$ 57,030,295
Capital Assets, net	90,784,043	75,424,314
Total Assets	159,239,586	132,454,609
Current and Other Liabilities	31,179,073	24,755,468
Long-term Liabilities outstanding	23,861,556	27,447,966
Total Liabilities	55,040,629	52,203,434
Net Assets:		
Invested in Capital Assets, net of		
Related Debt	78,106,897	60,899,506
Restricted	5,531,733	1,278,309 **
Unrestricted	20,560,327	18,073,360 **
Total Net Assets	\$ 104,198,957	\$ 80,251,175

* See Note III. H.

** Restricted and Unrestricted net assets were restated in the prior year for comparative purposes.

	Business-type Activities	
	2007	2006
Current, Restricted and Other Assets	\$ 44,586,749	\$ 14,994,120
Capital Assets, net	110,288,675	92,647,346
Total Assets	154,875,424	107,641,466
Current and Other Liabilities	4,135,964	1,290,701
Long-term Liabilities outstanding	63,450,954	31,315,201
Total Liabilities	67,586,918	32,605,902
Net Assets:		
Invested in Capital Assets, net of		
Related Debt	77,545,050	65,012,266
Restricted	-	6,280,533
Unrestricted	9,743,456	3,742,765
Total Net Assets	\$ 87,288,506	\$ 75,035,564

**DORCHESTER COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

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Changes in Net Assets. The County's Change in Net Assets for fiscal years ended June 30, 2007 and 2006 is as follows:

**Changes in Net Assets of Primary Government
For the Years Ended June 30, 2007 and 2006**

	Governmental Activities		Business-Type Activities	
	2007	2006 as restated*	2007	2006
Revenues:				
Program Revenues:				
Charges for Services	\$ 10,885,070	\$ 10,552,671	\$ 23,521,169	\$ 21,793,866
Operating Grants and Contributions	5,789,197	2,921,971	66,648	120,968
Capital Grants and Contributions	15,816,780	4,200,254	7,133,494	10,492,656
General Revenues:				
Property Taxes	28,468,532	25,306,558	-	-
Other Taxes	514,812	399,101	-	-
Unrestricted Grants and Contributions	4,993,810	4,539,768	-	-
Interest and Investment	1,798,747	970,745	1,173,820	479,018
Other Revenues	37,532	39,181	4,848	5,850
Total Revenues	68,304,480	48,930,249	31,899,979	32,892,358
Program Expenses:				
General Government	15,068,921	14,134,866	-	-
Public Safety	21,025,333	19,074,590	-	-
Roads and Drainage	5,841,650	4,815,486	-	-
Health and Welfare	302,697	303,609	-	-
Recreation and Culture	200,354	31,656	-	-
Airport	151,743	78,610	-	-
Economic Development	23,497	279,152	-	-
Intergovernmental and Nonprofit assistance	1,702,527	1,639,980	-	-
Interest and Fiscal Charges	1,356,817	967,538	-	-
Water and Sewer	-	-	12,650,730	10,034,874
Solid Waste	-	-	4,460,618	4,389,467
Stormwater	-	-	1,218,848	1,214,744
Total Expenses	45,673,539	41,325,487	18,330,196	15,639,085
Increase in Net Assets before Transfers	22,630,941	7,604,762	13,569,783	17,253,273
Transfers	1,316,841	600,811	(1,316,841)	(600,811)
Increase in Net Assets	23,947,782	8,205,573	12,252,942	16,652,462
Net Assets, beginning, (as restated*)	80,251,175	72,045,602	75,035,564	58,383,102
Net Assets, ending	\$ 104,198,957	\$ 80,251,175	\$ 87,288,506	\$ 75,035,564

*See Note III. H.

**DORCHESTER COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities. Governmental activities increased the County's net assets by \$23,947,782, accounting for 66 percent of the total growth in the net assets attributable to current year activity.

Charges for services were the County's largest program revenue, accounting for \$10,885,070 or 16 percent of total governmental revenues. These charges are for fees related to judicial activity, fees for real estate transfers, fees associated with the E911 service, emergency medical services, and fees associated with the collection of property taxes.

Property tax revenues account for \$28,468,532 of the \$68,304,480 total revenues for governmental activities, or 41 percent of total revenues. Another major component of general revenues was grants and contributions not restricted to specific programs, which accounted for \$5,789,197 or 8 percent of total revenues.

The largest governmental activity, the public safety program, accounted for \$21,025,333 of the \$45,673,539 total expenses for governmental activities, or 46 percent of total expenses. The next largest program was general government, accounting for \$15,068,921 and representing 33 percent of total governmental expenses.

The following table for governmental activities indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Governmental Activities

	Total Cost of Services		Net Cost of Service	
	2007	2006	2007	2006
General Government	\$ 15,068,921	\$ 14,134,866	\$ 8,836,474	\$ 5,393,622
Public Safety	21,025,333	19,074,590	14,389,976	15,106,143
Roads and Drainage	5,841,650	2,916,104	(10,271,154)	(382,134)
Health and Welfare	302,697	303,609	269,805	230,249
Recreation and Culture	200,354	31,656	(48,977)	(13,850)
Airport	151,743	78,610	(601,442)	(891,403)
Economic Development	23,497	279,152	(2,271,474)	(165,696)
Intergovernmental and				
Non-profit assistance	1,702,527	1,639,980	1,522,467	1,506,740
Interest and Fiscal Charges	1,356,817	967,538	1,356,817	967,538
Total Expenses	<u>\$ 45,673,539</u>	<u>\$ 39,426,105</u>	<u>\$ 13,182,492</u>	<u>\$ 21,751,209</u>

Charges for services and operating grants of \$16,674,267 (36 percent of the total costs of services) were received and used to fund the governmental expenses of the County. An additional 35 percent, \$15,816,780, of capital grants were also used to fund governmental activities. The remaining \$13,182,492 in governmental expenses was funded by property taxes, unrestricted grants and other revenue.

Business-type activities. Business-type activities increased the County's net assets by \$12,252,942 accounting for 34 percent of the growth in the net assets attributable to current year activity.

Charges for services were the County's largest program revenue for business-type activities, accounting for \$23,521,169 or 74 percent of total business-type activity revenues. These charges are for sewer and water fees, impact fees, solid waste user fees, host fees, stormwater fees, tap fees, origination fees, reconnection fees and other associated fees.

For the most part, increases in the net assets of both governmental and business-type activities are attributable to rapid growth in the County. In the current year the increase in revenues exceeded the need for increased expenditures to maintain the current level of services. The growth resulted in an increase in revenues from charges for services, permits, impact fees, licenses, fees to the registrar of deeds, and from the contribution of infrastructure to the County by developers.

**DORCHESTER COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

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Financial Analysis of Dorchester County's Funds

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

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

At June 30, 2007, the County's governmental funds reported a combined ending fund balance of \$37,751,924, an increase of \$7,756,441 from the prior year. Approximately 98 percent of this total, \$37,072,637, is unreserved fund balance. Of the unreserved fund balance, \$2,003,403 has been designated by the County Council for subsequent year's expenditure and \$3,565,083 for contingencies leaving an unreserved, undesignated amount of \$31,504,151. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been restricted for a variety of other purposes (\$679,287).

The general fund is the primary operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$15,064,890. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 48 percent of total general fund expenditures.

The fund balance of the County's General Fund increased by \$3,414,206 during the current fiscal year.

Proprietary Funds. The County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but provide more detail.

Unrestricted net assets of the Sewer Fund, Solid Waste Fund, and Stormwater Fund at the end of the year were \$8,620,984, \$324,099, and \$798,373, respectively. The net change was \$12,404,330, (\$288,824), and \$137,436 for those same funds for the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

Budgetary Highlights

By State statute, the Dorchester County Council adopts the annual operating and capital improvement budget for the County by the last day of June. Supplementary appropriations of expenditures and transfers out in the General Fund amounted to \$270,725. In addition, budgeted revenues increased by \$32,500, and transfers in decreased by \$210,474. This budget amendment of \$448,699 was funded from fund balance.

Capital Improvements Fund supplementary appropriations of expenditures amounted to \$390,374. This budget amendment was funded by a budgeted increase in transfers from other funds amounting to \$282,071, fund balance of \$4,100 and originally budgeted surplus of \$104,203.

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business type activities at June 30, 2007, was \$201,072,718 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, improvements other than buildings, furniture and fixtures, computer equipment, communications equipment, machinery and equipment, vehicles, infrastructure, sewer systems, and water systems.

Some of the major capital asset events during the current fiscal year included the following:

- Expansion of Water & Sewer facilities of \$18,726,579.
- Infrastructure of \$3,673,224 was completed using a combination of state "C" construction funds, economic development funds, and grant funds.
- An additional \$14,587,421 in infrastructure was contributed by the Dorchester County Sales Tax Transportation Authority and local developers.

Additional information on the County's capital assets can be found in Note III. F.

**DORCHESTER COUNTY, SOUTH CAROLINA
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Long-Term Debt. At June 30, 2007, the County had \$89,167,283 in outstanding debt consisting of general obligation bonds, revenue bonds, installment notes and capital leases. The general obligation bonds are secured by the full faith and credit, and taxing power of the County. The revenue bonds are secured by specific revenue sources.

Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 23,435,346	\$ -	\$ 23,435,346
Revenue Bonds	-	64,953,382	64,953,382
Capital Leases	778,555	-	778,555
Total	<u>\$ 24,213,901</u>	<u>\$ 64,953,382</u>	<u>\$ 89,167,283</u>

The County's general obligation bonded debt decreased by \$1,086,594 (4 percent) during fiscal year 2007. The net increase of the County's revenue bonded debt obligations was \$33,936,017 (109 percent) during the year. The County's capital lease obligations decreased by \$591,285 (43 percent) during the year.

Additional information on the County's long-term debt can be found in Note III. G.

Economic Factors and Next Year's Budget

Dorchester County continues to be one of the fastest growing counties in South Carolina. According to recent US Census Bureau figures, Dorchester County has grown from a population of 96,413 in 2000 to an estimated population of 119,732 in 2007. That 24% increase over a seven year period has driven the home building industry to never-before-seen levels. A record number of construction permits for new homes has been issued. Also, the record number of residential development plans submitted indicates confidence by the industry in the long-term nature of the new housing market. This growth has stressed nearly every aspect of infrastructure.

Industrial development remained relatively strong in the midst of a national downturn of new and relocating manufacturing plants. Relying on local expansions as well as some out of town moves, the County again announced over \$181 million in new investment for the year. The County seemed somewhat buffered from the recession forces affecting much of the nation and state. Few plant closures have been experienced. Unemployment continues below the state and national average.

The significant cutbacks made by the State government have provided many challenges to local governments. Not only has direct aid to local subdivisions been reduced but manpower cuts in state departments that previously assisted local governments in the areas such as commerce, revenue management, environmental control, etc. have precluded counties from taking progressive steps in a host of service areas. A number of State agencies in Dorchester County have requested additional funds to provide the same level of service for our common constituents. Particularly noticeable during this time is the lack of state funding for the maintenance and improvement of state roads in Dorchester County and the added stress on the traffic arteries of the community.

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Fortunately, the citizens of Dorchester County passed a 1% sales tax referendum for road construction in November 2004 and the State Highway Commission has tentatively agreed to match a portion of these funds. The Dorchester County Transportation Authority was created to manage these revenues and related projects. The Authority is presented as a discretely presented component unit of Dorchester County within these financial statements.

The costs associated with personnel benefits have risen markedly, reflecting an alarming rise in health care costs nationally. The County's workers compensation premiums have moderated over the last year due to County initiatives creating a Risk Management office to enforce the workers compensation trust's policies and procedures. However, continued pressures on the insurance premiums are expected to drive cost higher in the near future. The funding needed to maintain a viable and competitive workforce to provide constituent service is preventing the expansion and improvement of services being demanded by a growing population.

In addition to June 2007 outstanding encumbrances which are reappropriated and Council's designation for contingencies in the amount of \$3,565,083, which were carried over to the subsequent year's budget, the fiscal year 2007/2008 budget sustains the current level of operations. This budget includes a 2.0% cost of living adjustment for all employees. Amounts appropriated by County Council from fund balance in the 2006/2007 budget include \$1,486,813 for the General Fund and \$427,895 for the Capital Improvement Fund.

Requests for Information

This financial report is designed to provide a general overview of Dorchester County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Dorchester County Finance Department, 201 Johnston Street, St. George, South Carolina 29477.

BASIC FINANCIAL STATEMENTS

DORCHESTER COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Library System	Transportation Authority
Assets					
Cash and cash equivalents	\$ 23,247,843	\$ 1,090,956	\$ 24,338,799	\$ 534,793	\$ 3,675
Receivables, net of allowances					
Property taxes	27,932,809	-	27,932,809	1,676,214	-
Accounts	1,089,593	2,437,496	3,527,089	-	-
Other	818,972	-	818,972	7,632	-
Due from other governments	2,634,349	126,563	2,760,912	29,790	4,647,376
Prepaid expenses	-	-	-	36,466	-
Inventories, at cost	23,833	-	23,833	-	-
Temporarily restricted assets					
Cash and cash equivalents	12,028,857	40,123,646	52,152,503	-	56,253,937
Bond issuance costs, net of accumulated amortization	-	808,088	808,088	-	189,512
Loans receivable					
Due within one year	80,130	-	80,130	-	-
Due in more than one year	599,157	-	599,157	-	-
Capital assets					
Nondepreciable	5,675,057	7,550,986	13,226,043	35,973	10,657,184
Depreciable, net of accumulated depreciation	85,108,986	102,737,689	187,846,675	2,625,254	-
Total assets	159,239,586	154,875,424	314,115,010	4,946,122	71,751,684
Liabilities					
Accounts payable	871,931	1,529,295	2,401,226	16,686	2,864,650
Accrued liabilities	634,601	81,868	716,469	27,535	-
Assets held for others	425,223	40,057	465,280	-	-
Unearned revenues	27,115,669	-	27,115,669	1,629,664	-
Accrued interest payable	154,083	700,620	854,703	-	489,338
Noncurrent liabilities					
Due within one year	1,977,566	1,784,124	3,761,690	72,191	4,290,000
Due in more than one year	23,861,556	63,450,954	87,312,510	13,958	60,427,079
Total liabilities	55,040,629	67,586,918	122,627,547	1,760,034	68,071,067
Net assets					
Invested in capital assets, net of related debt	78,106,897	77,545,050	155,651,947	2,661,226	-
Restricted for					
Books and furniture	-	-	-	108,669	-
Public safety	1,548,591	-	1,548,591	-	-
Health and welfare	973,089	-	973,089	-	-
Debt service	1,682,107	-	1,682,107	-	-
Capital projects	1,327,946	-	1,327,946	-	2,706,780
Unrestricted	20,560,327	9,743,456	30,303,783	416,193	973,837
Total net assets	\$ 104,198,957	\$ 87,288,506	\$ 191,487,463	\$ 3,186,088	\$ 3,680,617

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

DORCHESTER COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

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Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Library System	Transportation Authority
Primary Government									
Governmental activities									
General government	\$ 15,068,921	\$ 4,674,686	\$ 1,557,761	\$ -	\$ (8,836,474)	\$ -	\$ (8,836,474)	\$ -	\$ -
Public safety	21,025,333	6,165,765	436,369	33,223	(14,389,976)	-	(14,389,976)	-	-
Roads and drainage	5,841,650	10,430	1,434,395	14,667,979	10,271,154	-	10,271,154	-	-
Health and welfare	302,697	-	32,892	-	(269,805)	-	(269,805)	-	-
Recreation and culture	200,354	440	248,891	-	48,977	-	48,977	-	-
Airport	151,743	8,249	-	744,936	601,442	-	601,442	-	-
Economic development	23,497	25,500	1,898,829	370,642	2,271,474	-	2,271,474	-	-
Intergovernmental and nonprofit	1,702,527	-	180,060	-	(1,522,467)	-	(1,522,467)	-	-
Interest and fiscal charges	1,356,817	-	-	-	(1,356,817)	-	(1,356,817)	-	-
Total governmental activities	45,673,539	10,885,070	5,789,197	15,816,780	(13,182,492)	-	(13,182,492)	-	-
Business-type activities									
Water and sewer	12,650,730	17,572,668	26,381	7,133,494	-	12,081,813	12,081,813	-	-
Solid waste	4,460,618	4,415,134	40,267	-	-	(5,217)	(5,217)	-	-
Stormwater management	1,218,848	1,533,367	-	-	-	314,519	314,519	-	-
Total business-type activities	18,330,196	23,521,169	66,648	7,133,494	-	12,391,115	12,391,115	-	-
Total primary government	\$ 64,003,735	\$ 34,406,239	\$ 5,855,845	\$ 22,950,274	(13,182,492)	12,391,115	(791,377)	-	-
Component Units									
Dorchester County Library System	\$ 2,076,014	\$ 120,763	\$ 314,308	\$ 10,393	-	-	-	(1,630,550)	-
Dorchester County Sales Tax									
Transportation Authority	15,399,184	-	-	987,282	-	-	-	-	(14,411,902)
Total component units	\$ 17,475,198	\$ 120,763	\$ 314,308	\$ 997,675	-	-	-	(1,630,550)	(14,411,902)
General revenues									
Taxes									
Property, including fee in lieu of taxes					28,468,532	-	28,468,532	1,750,207	-
Franchise					514,812	-	514,812	-	-
Sales and use					-	-	-	-	9,574,237
Grants and contributions not restricted to specific programs					4,993,810	-	4,993,810	-	-
Unrestricted revenue from use of money and property					1,798,747	1,173,820	2,972,567	4,635	3,459,170
Miscellaneous					556	-	556	-	-
Gain on disposition of assets					36,976	4,848	41,824	-	-
Transfers					1,316,841	(1,316,841)	-	-	-
Total general revenues and transfers					37,130,274	(138,173)	36,992,101	1,754,842	13,033,407
Change in net assets					23,947,782	12,252,942	36,200,724	124,292	(1,378,495)
Net assets									
Beginning of year, as restated					80,251,175	75,035,564	155,286,739	3,061,796	5,059,112
End of year					\$ 104,198,957	\$ 87,288,506	\$ 191,487,463	\$ 3,186,088	\$ 3,680,617

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

DORCHESTER COUNTY, SOUTH CAROLINA
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 13,488,158	\$ 1,050,090	\$ 8,709,595	\$ 23,247,843
Receivables, net of allowances				
Property taxes	18,071,814	2,706,917	7,154,078	27,932,809
Accounts	1,011,415	-	78,178	1,089,593
Other	574,181	43,600	201,191	818,972
Due from other governments	1,579,535	-	1,054,814	2,634,349
Due from other funds	722,270	-	-	722,270
Inventories, at cost	23,833	-	-	23,833
Loans receivable	286,637	-	392,650	679,287
Temporarily restricted assets				
Cash and cash equivalents	-	-	12,028,857	12,028,857
Total assets	\$ 35,757,843	\$ 3,800,607	\$ 29,619,363	\$ 69,177,813
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 477,791	\$ 93,544	\$ 300,596	\$ 871,931
Accrued liabilities	591,926	-	42,675	634,601
Assets held for others	425,223	-	-	425,223
Due to other funds	-	19,598	702,672	722,270
Deferred revenues	18,911,376	2,656,232	7,204,256	28,771,864
Total liabilities	20,406,316	2,769,374	8,250,199	31,425,889
Fund Balances				
Reserved for				
Noncurrent receivables	286,637	-	392,650	679,287
Unreserved				
Designated for				
Subsequent years' appropriations	1,486,813	427,895	88,695	2,003,403
Contingencies	3,565,083	-	-	3,565,083
Undesignated, reported in				
General fund	10,012,994	-	-	10,012,994
Capital improvements fund	-	603,338	-	603,338
Special revenue funds	-	-	7,271,412	7,271,412
Capital projects fund	-	-	11,807,484	11,807,484
Debt service	-	-	1,808,923	1,808,923
Total fund balances	15,351,527	1,031,233	21,369,164	37,751,924
Total liabilities and fund balances	\$ 35,757,843	\$ 3,800,607	\$ 29,619,363	\$ 69,177,813

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

DORCHESTER COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total governmental fund balances	\$ 37,751,924
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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 \$141,276,536 and the accumulated depreciation is \$50,492,493.	90,784,043
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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	\$ 399,695	
Grant reimbursements	108,009	
Court fines	573,948	
Fees for emergency medical services	<u>574,543</u>	
		1,656,195

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

General obligation bonds	\$ (23,435,346)	
Capital leases	(778,555)	
Compensated absences payable	(1,625,221)	
Accrued interest	<u>(154,083)</u>	
		<u>(25,993,205)</u>

Net assets of governmental activities	<u><u>\$ 104,198,957</u></u>
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The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 17,937,865	\$ 2,678,094	\$ 7,730,028	\$ 28,345,987
Licenses and permits	2,367,830	-	-	2,367,830
Intergovernmental revenues				
Federal	270,413	-	1,907,527	2,177,940
State	5,347,708	40,000	4,637,130	10,024,838
Local	103,000	-	671,700	774,700
Fees and service charges				
Register of Deeds	1,874,532	-	-	1,874,532
EMS Charges	2,747,176	-	-	2,747,176
Other miscellaneous fees	607,990	-	518,061	1,126,051
Judicial fines and assessments	1,803,523	-	381,577	2,185,100
Other income	1,473,485	40,476	1,338,749	2,852,710
Total revenues	34,533,522	2,758,570	17,184,772	54,476,864
Expenditures				
Current				
General government	11,566,959	60,095	2,173,028	13,800,082
Public safety	15,205,475	189	4,631,484	19,837,148
Roads and drainage	2,139,636	-	1,495,252	3,634,888
Health and welfare	280,658	-	10,530	291,188
Recreation and culture	200,354	-	-	200,354
Airport	65,826	-	-	65,826
Economic development	219,833	-	1,685,118	1,904,951
Intergovernmental and nonprofit assistance	1,098,890	-	563,744	1,662,634
Nondepartmental	430,261	-	-	430,261
Capital outlay	-	1,894,934	1,326,273	3,221,207
Debt service				
Principal retirement	-	448,936	1,228,943	1,677,879
Interest and fiscal charges	218,700	28,314	1,129,347	1,376,361
Total expenditures	31,426,592	2,432,468	14,243,719	48,102,779
Excess (deficiency) of revenues over (under) expenditures	3,106,930	326,102	2,941,053	6,374,085
Other financing sources (uses)				
Sale of capital assets	1,250	64,265	-	65,515
Transfers in	1,158,308	386,274	676,973	2,221,555
Transfers (out)	(852,282)	-	(52,432)	(904,714)
Total other financing sources (uses)	307,276	450,539	624,541	1,382,356
Net change in fund balances	3,414,206	776,641	3,565,594	7,756,441
Fund balances				
Beginning of year	11,937,321	254,592	17,803,570	29,995,483
End of year	<u>\$ 15,351,527</u>	<u>\$ 1,031,233</u>	<u>\$ 21,369,164</u>	<u>\$ 37,751,924</u>

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

**DORCHESTER 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, 2007**

Page 1 of 2

Net change in fund balances - total governmental funds	\$ 7,756,441
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Amounts reported for governmental activities in the statement of activities are different

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 (\$6,148,288) exceeded depreciation (\$5,347,441) in the current period.	800,847
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In the statement of activities, the gain or loss on disposal of capital assets is reported. Conversely, governmental funds report only proceeds from disposal of capital assets. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.

Cost of capital assets	\$ (387,206)	
Accumulated depreciation	358,667	
Net book value		(28,539)

In the statement of activities, revenue from infrastructure assets contributed to the County by the Transportation Authority 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.	14,587,421
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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	\$ (275,121)	
Fees for emergency medical services	(587,983)	
Grant reimbursements	(1,053,017)	
Court fines	(536,854)	
Amounts not meeting current year availability criteria, not recognized in governmental funds in		
Property taxes	399,695	
Fees for emergency medical services	574,543	
Grant reimbursements	108,009	
Court fines	573,948	
		(796,780)

(continued)

**DORCHESTER 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, 2007**

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:

Principal repayments		
General obligation bonds	\$ 1,086,594	
Capital leases	<u>591,285</u>	
		\$ 1,677,879

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 are as follows:

Compensated absences		
Current year	\$ (1,625,221)	
Prior year	1,556,186	
Accrued interest expense		
Current year	(154,083)	
Prior year	<u>173,631</u>	
		<u>(49,487)</u>

Change in net assets of governmental activities	<u><u>\$ 23,947,782</u></u>
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The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
JUNE 30, 2007

	Water and Sewer	Solid Waste	Other Enterprise Funds	Total Proprietary Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 58,168	\$ 189,756	\$ 843,032	\$ 1,090,956
Accounts receivable - net of allowance for doubtful accounts	1,871,978	495,250	70,268	2,437,496
Due from other governments	126,563	-	-	126,563
Restricted assets				
Cash and cash equivalents	40,123,646	-	-	40,123,646
Total current assets	42,180,355	685,006	913,300	43,778,661
Noncurrent assets				
Capital assets				
Nondepreciable	7,270,842	280,144	-	7,550,986
Depreciable, net of accumulated depreciation	101,899,100	199,921	638,668	102,737,689
Bond issuance costs, net of accumulated amortization	808,088	-	-	808,088
Total noncurrent assets	109,978,030	480,065	638,668	111,096,763
Total assets	152,158,385	1,165,071	1,551,968	154,875,424
Liabilities				
Current liabilities				
Accounts payable	1,213,712	279,340	36,243	1,529,295
Accrued liabilities	44,119	21,295	16,454	81,868
Assets held for others	40,057	-	-	40,057
Compensated absences	82,232	17,708	29,184	129,124
Revenue bonds payable	1,655,000	-	-	1,655,000
Accrued interest payable	700,620	-	-	700,620
Total current liabilities	3,735,740	318,343	81,881	4,135,964
Noncurrent liabilities				
Compensated absences	76,962	42,564	33,046	152,572
Revenue bonds, net of unamortized premiums and deferred amount on refunding	63,298,382	-	-	63,298,382
Total noncurrent liabilities	63,375,344	42,564	33,046	63,450,954
Total liabilities	67,111,084	360,907	114,927	67,586,918
Net assets				
Invested in capital assets, net of related debt	76,426,317	480,065	638,668	77,545,050
Unrestricted	8,620,984	324,099	798,373	9,743,456
Total net assets	\$85,047,301	\$ 804,164	\$1,437,041	\$87,288,506

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

DORCHESTER COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Water and Sewer	Solid Waste	Other Enterprise Funds	Total Proprietary Funds
Operating revenues				
Charges for services	\$ 9,766,497	\$ 4,377,874	\$ 1,533,367	\$ 15,677,738
Tap fees	1,509,309	-	-	1,509,309
Origination fees	196,577	-	-	196,577
Reconnection fees	134,000	-	-	134,000
Inspection fees	50,700	-	-	50,700
Other revenue	38,174	37,260	-	75,434
Total operating revenues	11,695,257	4,415,134	1,533,367	17,643,758
Operating expenses				
Personnel services	2,305,053	1,099,163	832,252	4,236,468
Contractual services	3,315,062	3,141,496	34,684	6,491,242
Maintenance and repairs	404,492	14,600	18,820	437,912
Utilities	596,247	21,077	3,388	620,712
Office expense	110,316	22,032	8,209	140,557
Truck expenses	161,680	34,258	62,909	258,847
Other services and charges	1,447,530	56,464	48,630	1,552,624
Provision for uncollectible debt	92,646	-	-	92,646
Supplies	227,669	23,175	102,096	352,940
Collection expenses	110,339	-	-	110,339
Depreciation and amortization	2,502,084	45,348	107,860	2,655,292
Total operating expenses	11,273,118	4,457,613	1,218,848	16,949,579
Operating income (loss)	422,139	(42,479)	314,519	694,179
Nonoperating revenues (expenses)				
Investment income	1,109,431	23,567	40,822	1,173,820
Impact fees	5,877,411	-	-	5,877,411
Gain (loss) on disposition of assets	4,848	(3,005)	-	1,843
Grant revenue	26,381	40,267	-	66,648
Amortization of bond issuance costs	(26,742)	-	-	(26,742)
Interest expense	(1,350,870)	-	-	(1,350,870)
Total nonoperating revenues (expenses)	5,640,459	60,829	40,822	5,742,110
Income before contributions and transfers	6,062,598	18,350	355,341	6,436,289
Contributions and transfers				
Capital contributions	7,133,494	-	-	7,133,494
Transfers (out)	(791,762)	(307,174)	(217,905)	(1,316,841)
Total contributions and transfers	6,341,732	(307,174)	(217,905)	5,816,653
Change in net assets	12,404,330	(288,824)	137,436	12,252,942
Total net assets				
Beginning of year	72,642,971	1,092,988	1,299,605	75,035,564
End of year	\$85,047,301	\$ 804,164	\$ 1,437,041	\$ 87,288,506

DORCHESTER COUNTY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

Page 1 of 2

	Water and Sewer	Solid Waste	Other Enterprise Funds	Total Proprietary Funds
Cash flows from operating activities				
Cash received from customers and users	\$ 11,212,501	\$ 4,391,464	\$1,521,978	\$ 17,125,943
Cash paid to suppliers	(5,737,168)	(3,278,701)	(253,020)	(9,268,889)
Cash paid to employees	(2,312,242)	(1,096,444)	(841,315)	(4,250,001)
Net cash provided by operating activities	3,163,091	16,319	427,643	3,607,053
Cash flows from noncapital financing activities				
Transfers and advances between funds	(791,762)	(307,174)	(217,905)	(1,316,841)
Net cash used by noncapital financing activities	(791,762)	(307,174)	(217,905)	(1,316,841)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(12,049,584)	(220,381)	(154,222)	(12,424,187)
Proceeds from sale of capital assets	4,848	-	-	4,848
Grant funds	26,381	40,267	-	66,648
Impact fees	5,877,411	-	-	5,877,411
Proceeds from issuance of debt	34,644,712	-	-	34,644,712
Bond issue costs	(140,295)	-	-	(140,295)
Principal paid on debt	(850,000)	-	-	(850,000)
Interest paid	(1,758,062)	-	-	(1,758,062)
Net cash provided (used) by capital and related financing activities	25,755,411	(180,114)	(154,222)	25,421,075
Cash flows from investing activities				
Interest on investments	1,109,431	23,567	40,822	1,173,820
Net cash provided by investing activities	1,109,431	23,567	40,822	1,173,820
Net increase (decrease) in cash and cash equivalents	29,236,171	(447,402)	96,338	28,885,107
Cash and cash equivalents				
Beginning of year	10,945,643	637,158	746,694	12,329,495
End of year	<u>\$ 40,181,814</u>	<u>\$ 189,756</u>	<u>\$ 843,032</u>	<u>\$ 41,214,602</u>

(continued)

DORCHESTER COUNTY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

Page 2 of 2

	Water and Sewer	Solid Waste	Other Enterprise Funds	Total Proprietary Funds
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ 422,139	\$ (42,479)	\$ 314,519	\$ 694,179
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation and amortization	2,502,084	45,348	107,860	2,655,292
Increase (decrease) in allowance for doubtful accounts	92,646	-	-	92,646
(Increase) decrease in current assets				
Accounts receivable	(482,756)	(23,670)	(11,389)	(517,815)
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	636,167	34,401	25,716	696,284
Accrued payroll liability	1,842	566	199	2,607
Accrued compensated absences	(9,031)	2,153	(9,262)	(16,140)
Total adjustments	2,740,952	58,798	113,124	2,912,874
Net cash provided by operating activities	<u>\$ 3,163,091</u>	<u>\$ 16,319</u>	<u>\$ 427,643</u>	<u>\$ 3,607,053</u>
Schedule of noncash investing, capital and financing activities				
Acquisition of capital assets through contributions from developers or governmental funds	\$ 7,133,494	\$ -	\$ -	\$ 7,133,494
Interest capitalized on assets	\$ 741,945	\$ -	\$ -	\$ 741,945
Bond issue costs paid at closing	\$ 168,800	\$ -	\$ -	\$ 168,800
Decrease in carrying value of debt due to amortization of bond premiums and deferred refunding costs	\$ (27,495)	\$ -	\$ -	\$ (27,495)
Amortization of bond issue costs	\$ 26,742	\$ -	\$ -	\$ 26,742
Reconciliation of cash and cash equivalents to the statement of net assets				
Current assets				
Cash and cash equivalents	\$ 58,168	\$ 189,756	\$ 843,032	\$ 1,090,956
Restricted assets				
Cash and cash equivalents	40,123,646	-	-	40,123,646
	<u>\$ 40,181,814</u>	<u>\$ 189,756</u>	<u>\$ 843,032</u>	<u>\$ 41,214,602</u>

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

DORCHESTER COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 23,049,860</u>
Total assets	<u><u>\$ 23,049,860</u></u>
Liabilities	
Assets held for others	<u>\$ 23,049,860</u>
Total liabilities	<u><u>\$ 23,049,860</u></u>

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

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Dorchester County (the County) is governed by a seven-member County Council under the Council-Administrator form of government established in 1974, 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 Dorchester County Council and the County Administrator.

Among the services which the County funds in whole or in part, are the following: (1) general government which includes county offices, financial, administrative, executive, judicial departments, facilities maintenance, and employee benefits; (2) public safety (law enforcement and emergency management services); (3) roads and drainage; (4) transportation (airport); (5) public health and welfare; (6) recreation and cultural institutions; (7) economic development; and (8) other miscellaneous services (intergovernmental and nonprofit assistance).

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 units unless otherwise indicated.

The County has no blended component units and two discretely presented component units which have a June 30 year-end.

Discretely Presented Component Units

The **Dorchester County Library System** (the Library) provides books and library materials to the residents of Dorchester County. The members of the Library's governing board are appointed by Dorchester County Council. The Library is fiscally dependent upon the government because the County Council approves the Library's budgets, levies taxes, and must approve any debt issuances. The Library is presented as a governmental fund type.

The complete financial statements for the Library component unit may be obtained at the Library's administrative office at the following address:

506 Parler Avenue
St. George, South Carolina 29477

The **Dorchester County Sales Tax Transportation Authority** (the Authority) was created on January 10, 2007, by Dorchester County Council pursuant to a voter referendum which authorized Council to assess a one cent (1%) sales and use tax for the purpose of funding various transportation projects. To that end, the Authority may issue up to \$125,000,000 of general obligation bonds supported by the tax. The Authority may collect the tax for up to twenty-five years, and will terminate within twelve months of the final sales and use tax collection. Each member of Dorchester County Council will appoint one member of the Authority, who shall serve a term coinciding with that of the council member. The council member may remove his or her appointee during his or her term of office, subject to a majority vote of County Council. The Authority is also fiscally dependent upon the government because the County Council must approve any debt issuances.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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 *Capital Improvements Fund*, a special revenue fund, accounts for various capital improvements funded by property taxes, and assets purchased under the County's lease purchase program.

The County reports the following major proprietary funds:

1. The *Water and Sewer Fund* accounts for the sale and distribution of potable water, and for the operation of sewage treatment plants, pumping stations and systems for the collection and treatment of sewage.
2. The *Solid Waste Fund* accounts for the operation and maintenance of the County collection sites and contracts for the collection and disposal of solid waste for county residents.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 fund* accounts for the accumulation of resources for, and the payment of, general 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 fund* accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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 fund* is custodial in nature and does 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. 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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt for acquisitions under capital leases are reported as other financing sources.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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, certain charges for services, and state-levied locally shared taxes. Receivables, net of an allowance, are recognized for fines and forfeitures when assessed, except in the Clerk of Court's office, where revenues are recognized when fines and forfeitures are collected. Receivables for sales, use and hospitality taxes are recorded when the underlying transaction is made, and recognized as revenue if funds are received from the collecting agency within sixty days of year-end. Reimbursements due for federally funded projects are accrued as receivables at the time the expenditures are made, and recognized as revenues if they are received within ninety days of year-end. When grant funds are received in advance, revenue recognition is deferred until qualifying expenditures are made. Other revenues, including Clerk of Court fines, 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund 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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing goods and services, in connection with a proprietary fund's principal ongoing operations. The County's business-type activities accounted for in proprietary funds are chiefly water and sewer sales and services, solid waste disposal and stormwater management. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in, first-out method. The consumption method of accounting is used to record inventories under which the cost of inventory is recorded as an expenditure when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 represent 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 of the previous year. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as deferred revenue and thus not recognized as revenue until collected in the governmental funds.

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Receivables (Continued)

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 \$1,500 and an estimated useful life in excess of two years. 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.

Proprietary fund interest expense, which includes amortization of deferred refunding costs and premiums, is capitalized for related construction in progress. For tax-exempt debt, related interest costs subject to capitalization are netted against the interest earned on invested proceeds until the construction phase of the project is completed. Interest and related expenses and income are not capitalized in the governmental funds unless the assets are anticipated to be transferred to the proprietary funds upon completion.

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.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

Depreciation is provided using the straight-line method over the following estimated useful lives:

	County	Component unit (Library)
Buildings and other improvements	10-50 years	20-50 years
Furniture and equipment	3-7 years	5-20 years
Infrastructure	10-30 years	N/A
Books and electronic media	N/A	10 years
Water and sewer systems	50 years	N/A

The Authority's capital assets consist of construction in progress for roads whose budgeted cost exceed \$50,000. Upon completion, title to the road passes to the City, County or State which either owns the land or accepts responsibility for maintenance. (See Note III. F.)

GASB Statement No. 34 required the County to report and depreciate new infrastructure assets effective with the beginning of the 2004 fiscal year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), etc. Neither their historical cost nor related depreciation had historically been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period. The County implemented the retroactive provisions for infrastructure in the current year. See notes III. F. and III. H. for additional information.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund 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 and proprietary fund financial statements when it is 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 Library's policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. There is no liability for unpaid accumulated sick leave, since it is the County's policy to record the cost of sick leave only when it is paid and no benefits vest upon termination.

All vacation and compensatory pay is accrued when incurred in the government-wide and proprietary fund 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.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Reservations and Designations of Fund Balances

Government-wide 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 - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund 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 used as budgetary controls in the special revenue funds and capital projects funds. Outstanding encumbrances are considered reappropriated in the ensuing year, are included in the overall budget for the ensuing year, and are included in amounts recorded as designated for subsequent years' appropriations.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. DEFICIT FUND EQUITY

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

Fund	Deficit	Resource for Elimination
Special Revenue Fund		
Victims' Advocate	\$ 8,281	Future revenues
C Funds	\$ 26,638	Future revenues

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Primary government, Transportation Authority, and Library

Except for petty cash accounts, the funds of the Transportation Authority are included in the funds administered by the County Treasurer.

Deposits

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, 2007, the County's bank balance of \$27,475,000 was not exposed to custodial credit risk because it was fully insured and collateralized.

Investments

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 for investments.

As of June 30, 2007, the County had the following investments, all of which mature in less than one year:

Investment Type	Fair Value	Maturities	Credit Risk
Mutual Fund	\$ 2,261	15 day average	AAAm/Aaa
State Treasurer's Local Government Investment Pool	130,732,297	90 day average	Unrated
	<u>\$ 130,734,558</u>		

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Credit Risk. Credit risk is the risk that an issuer of 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.

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. At June 30, 2007, the County's investments consisted primarily of SCLGIP.

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

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. RECEIVABLES

Accounts Receivable

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

	General	Capital Improvements	Water and Sewer	Solid Waste	Nonmajor Funds
Receivables					
Taxes	\$ 18,447,922	\$ 2,758,288	\$ -	\$ -	\$ 7,298,284
Accounts	3,673,318	-	2,310,479	901,172	148,446
Other	765,499	43,600	-	-	201,191
Gross receivables	22,886,739	2,801,888	2,310,479	901,172	7,647,921
Less: allowance for uncollectibles					
Taxes	(376,108)	(51,371)	-	-	(144,206)
Accounts	(2,661,903)	-	(438,501)	(405,922)	-
Other	(191,318)	-	-	-	-
Net receivables	<u>\$ 19,657,410</u>	<u>\$ 2,750,517</u>	<u>\$ 1,871,978</u>	<u>\$ 495,250</u>	<u>\$ 7,503,715</u>

Component Units

Taxes receivable for the Library as of year-end of \$1,676,214 are shown net of an allowance for uncollectible taxes of \$ 61,464.

Loans Receivable

Chamber of Commerce - During the fiscal year ended June 30, 1998, the County purchased land which was held for development. In 1997, the County and the Town of Summerville entered into an agreement in which the Town constructed a building on the County's land. In June 1999, the property was sold for \$780,000 through a lease purchase agreement to the Chamber of Commerce to be used as a Welcome Center/Chamber Office. The selling price attributable to the land was \$330,000. The terms of the sale require the Chamber to make three annual payments of interest only at 5%, and to make annual payments, including interest at 5% to the Town and the County for twenty-seven years. The County will receive annual payments of \$19,462 with the remaining balance of \$89,118, due in May 2029.

\$ 286,637

Economic Development - In July 2005 the County purchased and resold a parcel of land adjoining the New Century Industrial Park to a business for \$750,000. (See Note IV. G.) The loan is secured by a first mortgage on the real estate, bears no interest, and is payable in 29 quarterly payments of \$18,750 and one payment of \$6,250, commencing November 2005. The County's portion of the repayment amounts to \$523,900.

392,650

Loans receivable – Fund Statements

679,287

Current portion of notes receivable - Statement of Net Assets

(80,130)

Noncurrent portion of loans receivable – Statement of Net Assets

\$ 599,157

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. DEFERRED AND UNEARNED REVENUES

Primary government

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, 2007, the various components of deferred and unearned revenue reported in the governmental funds were as follows:

	Fund Statement	Government- wide
Unavailable		
Property taxes receivable	\$ 399,695	
Grant reimbursements	108,009	
Court fines receivable	573,948	
EMS fees	574,543	
Total unavailable	1,656,195	
Unearned		
Property taxes receivable	27,005,752	\$ 27,005,752
Communication tower deposits	30,300	30,300
Assets seized in connection with unadjudicated cases	79,617	79,617
Total unearned	27,115,669	27,115,669
Total deferred revenues, governmental funds	\$28,771,864	
Total unearned revenues, government-wide		\$ 27,115,669

D. INTERFUND RECEIVABLES AND PAYABLES

The interfund receivables and payables at June 30, 2007, were as follows:

	Receivable Fund	Payable Fund
Major governmental funds		
General	\$ 722,270	\$ -
Capital Improvements	-	19,598
Nonmajor governmental funds	-	702,672
Total interfund balances	\$ 722,270	\$ 722,270

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.

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

	<u>Transfer in</u>	<u>Transfer out</u>
Major governmental funds		
General	\$ 1,158,308	\$ 852,282
Capital Improvements	386,274	-
Capital Projects	-	-
Nonmajor governmental funds	676,973	52,432
Major enterprise funds		
Water and Sewer	-	791,762
Solid Waste	-	307,174
Nonmajor enterprise fund	-	217,905
Total	<u>\$ 2,221,555</u>	<u>\$ 2,221,555</u>

Transfers are used (1) to move revenues from the fund that a statute or budget requires to collect them to the fund that a statute or budget requires to expend them, 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.

F. CAPITAL ASSETS

Primary government capital asset activity for the year ended June 30, 2007, is as follows:

	<u>July 1, 2006</u>	<u>Restatement*</u>	<u>July 1, 2006 as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>
Governmental activities						
Capital assets not being depreciated						
Land, improvements, and rights of way	\$ 3,008,495	\$ -	\$ 3,008,495	\$ -	\$ -	\$ 3,008,495
Construction in progress	2,122,554	-	2,122,554	4,217,232	(3,673,224)	2,666,562
Total capital assets						
not being depreciated	5,131,049	-	5,131,049	4,217,232	(3,673,224)	5,675,057
Capital assets being depreciated						
Infrastructure	10,571,965	59,940,932	70,512,897	18,260,645	-	88,773,542
Buildings and improvements	24,085,015	-	24,085,015	274,320	-	24,359,335
Furniture and equipment	21,199,072	-	21,199,072	1,656,736	(387,206)	22,468,602
Total assets being depreciated	55,856,052	59,940,932	115,796,984	20,191,701	(387,206)	135,601,479
Accumulated depreciation						
Infrastructure	(642,422)	(24,830,182)	(25,472,604)	(2,933,504)	-	(28,406,108)
Buildings and improvements	(5,983,445)	-	(5,983,445)	(490,632)	-	(6,474,077)
Furniture and equipment	(14,047,670)	-	(14,047,670)	(1,923,305)	358,667	(15,612,308)
Total accumulated depreciation	(20,673,537)	(24,830,182)	(45,503,719)	(5,347,441)	358,667	(50,492,493)
Total capital assets being depreciated, net	35,182,515	35,110,750	70,293,265	14,844,260	(28,539)	85,108,986
Governmental activities capital assets, net	<u>\$ 40,313,564</u>	<u>\$ 35,110,750</u>	<u>\$ 75,424,314</u>	<u>\$ 19,061,492</u>	<u>\$ (3,701,763)</u>	<u>\$ 90,784,043</u>

* See notes I.D.6. and III H. for additional information.

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS (CONTINUED)

	July 1, 2006	Increases	Decreases	June 30, 2007
<u>Business-type activities</u>				
Capital assets not being depreciated				
Land, improvements, and rights of way	\$ 295,248	\$ 700,000	\$ -	\$ 995,248
Construction in progress	30,373,131	10,704,152	(34,521,545)	6,555,738
Total capital assets not being depreciated	30,668,379	11,404,152	(34,521,545)	7,550,986
Capital assets being depreciated				
Stormwater infrastructure	75,677	-	-	75,677
Sewer plant	11,053,534	22,759,600	-	33,813,134
Sewer system	52,554,567	18,786,073	-	71,340,640
Water system	9,853,748	1,201,098	-	11,054,846
Buildings and improvements	59,044	-	-	59,044
Furniture and equipment	4,679,468	670,248	(74,839)	5,274,877
Total assets being depreciated	78,276,038	43,417,019	(74,839)	121,618,218
Accumulated depreciation				
Stormwater infrastructure	(6,702)	(2,523)	-	(9,225)
Sewer plant	(5,669,092)	(777,364)	-	(6,446,456)
Sewer system	(6,434,014)	(1,266,289)	-	(7,700,303)
Water system	(1,026,667)	(209,598)	-	(1,236,265)
Buildings and improvements	(56,152)	(49)	-	(56,201)
Furniture and equipment	(3,104,444)	(399,469)	71,834	(3,432,079)
Total accumulated depreciation	(16,297,071)	(2,655,292)	71,834	(18,880,529)
Total capital assets being depreciated, net	61,978,967	40,761,727	(3,005)	102,737,689
Business-type activities capital assets, net	<u>\$ 92,647,346</u>	<u>\$ 52,165,879</u>	<u>\$ (34,524,550)</u>	<u>\$ 110,288,675</u>

Included in capital asset additions in the governmental activities are roads transferred into the County system from the Transportation Authority and developers in the amount of \$14,587,421.

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

Governmental activities:

General government	\$ 872,582
Public safety	1,184,078
Roads and drainage	3,151,074
Health and welfare	10,668
Airport	85,916
Economic development and assistance	3,229
Intergovernmental and private nonprofit	39,894
Total governmental activity depreciation	<u>\$ 5,347,441</u>

Business-type activities

Water and sewer	\$ 2,502,084
Solid waste	45,348
Stormwater	107,860
Total business-type activity depreciation	<u>\$ 2,655,292</u>

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CAPITAL ASSETS (CONTINUED)

Interest costs incurred by business-type entities during the year totaled \$2,092,815, of which \$741,945 was capitalized.

The County's construction in progress at year-end was comprised of the following:

<u>Governmental activities</u>	
C Fund Roads	\$ 848,360
Airport improvements	80,573
New Courthouse Complex	714,374
Infrastructure	<u>1,023,255</u>
	<u>\$ 2,666,562</u>
<u>Business-type activities</u>	
Wastewater treatment plant expansion	\$ 4,412,682
Twin Lakes Subdivision system expansion	1,462,378
Other	<u>680,678</u>
	<u>\$ 6,555,738</u>

Component unit

Component unit capital asset activity for the year ended June 30, 2007, is as follows:

Library

	July 1, 2006	Increases	Decreases	June 30, 2007
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land, improvements, and rights of way	\$ 35,973	\$ -	\$ -	\$ 35,973
Total capital assets not being depreciated	<u>35,973</u>	<u>-</u>	<u>-</u>	<u>35,973</u>
Capital assets being depreciated				
Buildings and improvements	2,357,678	-	-	2,357,678
Books and electronic media	2,794,163	318,623	(188,480)	2,924,306
Vehicles	79,448	-	-	79,448
Machinery and equipment	549,941	42,806	-	592,747
Total capital assets being depreciated	<u>5,781,230</u>	<u>361,429</u>	<u>(188,480)</u>	<u>5,954,179</u>
Accumulated depreciation				
Buildings and improvements	(1,368,358)	(47,153)	-	(1,415,511)
Books and electronic media	(1,423,620)	(266,744)	188,480	(1,501,884)
Vehicles	(63,122)	(1,519)	-	(64,641)
Machinery and equipment	(284,940)	(61,949)	-	(346,889)
Total accumulated depreciation	<u>(3,140,040)</u>	<u>(377,365)</u>	<u>188,480</u>	<u>(3,328,925)</u>
Total capital assets being depreciated, net	<u>2,641,190</u>	<u>(15,936)</u>	<u>-</u>	<u>2,625,254</u>
Governmental activities capital assets, net	<u>\$ 2,677,163</u>	<u>\$ (15,936)</u>	<u>\$ -</u>	<u>\$ 2,661,227</u>

Transportation Authority

	July 1, 2006	Increases	Decreases	June 30, 2007
<u>Governmental activities</u>				
Capital assets not being depreciated				
Construction in progress - roads	\$ 7,555,664	\$ 12,133,643	\$ (9,032,123)	\$ 10,657,184

Decreases from construction in progress reflect completed roads transferred to the County's governmental activities and to the State of South Carolina in the amount of \$5,585,861 and \$3,446,292, respectively. (See Note I. D. 6.)

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM AND SHORT-TERM LIABILITIES

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.

Revenue Bonds – The County's revenue bonds were used to finance construction of water and sewer facilities and the purchase of real estate for use in business-type activities. The Revenue Bonds are reported in the proprietary funds since they are expected to be repaid from revenues, primarily water and sewer sales and services, which are generated by proprietary fund activities.

Capital Lease Obligations – The County uses notes and leases to finance the purchase of various equipment. Repayment is budgeted in the Capital Improvement Fund and the E911 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.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2007, is as follows:

Primary government

	July 1, 2006	Additions	Reductions	June 30, 2007	Due within one year
<u>Governmental activities</u>					
Bonds:					
General obligation	\$ 24,521,940	\$ -	\$ (1,086,594)	\$ 23,435,346	\$ 938,068
Capital leases	1,369,840	-	(591,285)	778,555	286,638
Compensated absences	1,556,186	834,254	(765,219)	1,625,221	752,860
Total long-term liabilities	<u>\$ 27,447,966</u>	<u>\$ 834,254</u>	<u>\$ (2,443,098)</u>	<u>\$ 25,839,122</u>	<u>\$ 1,977,566</u>
<u>Business-type activities</u>					
Revenue bonds payable	\$ 30,865,000	\$ 34,240,000	\$ (850,000)	\$ 64,255,000	\$ 1,655,000
Plus (less) deferred amounts					
For issuance premiums	166,919	573,512	(31,416)	709,015	-
On refunding costs	(14,554)	-	3,921	(10,633)	-
Total revenue bonds payable	31,017,365	34,813,512	(877,495)	64,953,382	1,655,000
Compensated absences	297,836	121,390	(137,530)	281,696	129,123
Total long-term liabilities	<u>\$ 31,315,201</u>	<u>\$ 34,934,902</u>	<u>\$ (1,015,025)</u>	<u>\$ 65,235,078</u>	<u>\$ 1,784,123</u>

Component unit

Library

Long-term liabilities of the Library are liquidated by the Library's General Fund.

	July 1, 2006	Additions	Reductions	June 30, 2007	Due within one year
Compensated absences	<u>\$ 79,618</u>	<u>\$ 76,295</u>	<u>\$ 69,764</u>	<u>\$ 86,149</u>	<u>\$ 72,191</u>

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM AND SHORT-TERM LIABILITIES (CONTINUED)

Transportation Authority

Long-term liabilities of the Transportation Authority will be liquidated with revenues collected from a 1% local sales tax assessed for that purpose.

	July 1, 2006	Additions	Reductions	June 30, 2007	Due within one year
General obligation bonds payable	\$ 68,000,000	\$ -	\$ (3,980,000)	\$ 64,020,000	\$ 4,290,000
Plus deferred amounts for issuance premiums	756,940	-	(59,861)	697,079	-
	<u>\$ 68,756,940</u>	<u>\$ -</u>	<u>\$ (4,039,861)</u>	<u>\$ 64,717,079</u>	<u>\$ 4,290,000</u>

Bonds Payable

Primary Government

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 following is a summary of each long-term bond obligation of the governmental activities of the County at June 30, 2007.

General Obligation Bonds

General Obligation Bonds payable at June 30, 2007, are comprised of the following individual issues:

\$1,500,000 2002 serial bonds due in annual principal installments of \$182,905 through April 1, 2012; interest at 4.09%	\$ 810,806
\$5,000,000 1999 serial bonds due in annual principal installments of \$150,000 to \$325,000 through April 1, 2023; interest ranging from 4.25 to 6.25%	3,785,000
\$8,215,000 1992 serial refunding bonds due in annual principal installments beginning 2007 of \$210,000 to \$580,000 through April 1, 2023; interest ranging from 4.25 to 5.125%	6,735,000
\$12,000,000 2006 serial bonds due in annual principal installments beginning 2007 of \$285,000 to \$790,000 through April 1, 2031; interest ranging from 4.25 to 6.0%	11,665,000
\$135,000 2001 serial refunding bonds due in annual principal installments of \$16,670 through October 1, 2006; interest at 4.69%	59,540*
\$700,000 1986 serial bonds due in annual payments of \$15,000 to \$60,000 through April 2015; interest rate variable (7.10-9.0%)	<u>380,000*</u>
General obligation bonds payable at June 30, 2007	<u>\$ 23,435,346</u>

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM AND SHORT-TERM LIABILITIES (CONTINUED)

*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, 2007, the County was in compliance with this requirement. Further, the general obligation bonds, as well as the revenue bonds, are supported by the full faith, credit, and taxing power of the County. The bonds designated by an asterisk are not included as general obligation bonded indebtedness in calculating the County's allowable debt. These debt issues are retired by a separate fire protection millage. Provided that the millage generates sufficient tax revenue to service the debt, the County will not fund the debt service related to these bonds.

Revenue Bonds

Revenue bonds payable at June 30, 2007, is comprised of the following:

\$32,500,000 2003 Waterworks and Sewer System Revenue Bond due in annual principal installments of \$810,000 to \$2,135,000 and semi-annual interest installments of \$53,375 to \$393,094 through October 1, 2028; interest ranging from 2.0 to 5.0%	\$ 30,015,000
Plus unamortized issuance premium	155,455
Less unamortized deferred refunding costs	(10,633)
 \$34,240,000 2006 Waterworks and Sewer System Revenue Bond due in annual principal installments of \$775,000 to \$2,220,000 and semi-annual interest installments of \$49,395 to \$422,988 through October 1, 2031; interest ranging from 4.250 to 5.0%	 34,240,000
Plus unamortized issuance premium	553,560
 Revenue bonds payable at June 30, 2007	 <u>\$ 64,953,382</u>

Component Unit

Transportation Authority

General Obligation Bonds

General Obligation Bonds payable at June 30, 2007, are comprised of the following individual issues:

\$68,000,000 (Transportation Projects) Series 2006A serial bonds due in annual payments of \$1,770,000 to \$4,265,000 through May 2029; interest ranging from 3.5 to 5.0%.	\$ 64,020,000
Plus unamortized issuance premium	697,079
 General obligation bonds payable at June 30, 2007	 <u>\$ 64,717,079</u>

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 2.72% to 6.59%, secured by various vehicles, computer hardware, other equipment and courthouse renovations.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM AND SHORT-TERM LIABILITIES (CONTINUED)

The assets acquired through capital leases are as follows:

Building renovations	\$ 243,989
Equipment	<u>3,597,128</u>
Subtotal	3,841,117
Less accumulated depreciation	<u>(1,675,783)</u>
	<u>\$ 2,165,334</u>

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

The remaining lease payments as of June 30, 2007, are as follows:

Year Ending June 30,	Amount
2008	\$ 323,232
2009	271,854
2010	180,887
2011	<u>89,993</u>
Total minimum lease payments	865,966
Less amount representing interest	<u>(87,411)</u>
Present value of capital lease payer	<u>\$ 778,555</u>

Total interest paid on the equipment and building and improvements obligations for the year ended June 30, 2007, was \$65,654.

Debt service requirements to maturity

Primary government

At June 30, 2007, future debt service requirements for bonds, were as follows:

Year Ending June 30,	Bonds			
	Governmental activities General obligation		Business-type activities Revenue	
	Principal	Interest	Principal	Interest
2008	\$ 938,068	\$ 1,083,647	\$ 1,655,000	\$ 2,802,480
2009	979,997	1,015,019	1,710,000	2,748,480
2010	1,027,126	1,002,160	1,765,000	2,688,105
2011	1,069,553	950,735	1,830,000	2,625,605
2012	1,100,602	898,801	1,895,000	2,558,343
2013-2017	5,210,000	3,730,111	10,735,000	10,532,672
2018-2022	6,315,000	2,436,276	13,425,000	8,777,198
2023-2027	3,860,000	1,137,968	16,910,000	5,187,222
2028-2032	2,935,000	348,625	14,330,000	2,485,740
Plus unamortized premiums and deferred refunding costs	-	-	698,382	-
	<u>\$23,435,346</u>	<u>\$ 12,603,342</u>	<u>\$ 64,953,382</u>	<u>\$ 40,405,845</u>

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM AND SHORT-TERM LIABILITIES (CONTINUED)

Component Unit

Transportation Authority

Year Ending June 30,	General obligation	
	Principal	Interest
2008	\$ 4,290,000	\$ 2,936,025
2009	3,650,000	2,721,525
2010	1,770,000	2,593,775
2011	1,840,000	2,505,275
2012	1,915,000	2,413,275
2013-2017	10,850,000	10,650,125
2018-2022	13,785,000	7,916,925
2023-2027	17,590,000	4,402,325
2028-2029	8,330,000	582,519
Plus unamortized premiums	697,079	-
	<u>\$64,717,079</u>	<u>\$ 36,721,769</u>

Changes in short-term debt

Changes in the County's short-term debt were as follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2007</u>
Tax anticipation note	\$ -	\$ 7,200,000	\$ 7,200,000	\$ -

Tax Anticipation Note Payable

The County has a unified tax collection system. The proceeds of tax anticipation notes provide operating revenue until taxes are collected. The County issued a Tax Anticipation Note Payable in July 2006 in the amount of \$7,200,000 bearing interest at 4.5%, which was paid April 13, 2007.

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, 2007, there were an undetermined number of industrial revenue bonds and notes outstanding and the principal payable at June 30, 2007, could not be determined.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. EQUITY RESTATEMENT

Beginning governmental net assets in the government-wide financial statements were restated as follows:

Primary Government

Net assets as originally presented	\$ 45,140,425
Prior period adjustment (See notes I. D. 6. and III. F.)	
Implementation of retroactive recording of infrastructure assets	<u>35,110,750</u>
Net assets as restated	<u>\$ 80,251,175</u>

Component Unit

Transportation Authority

Net assets as originally presented	\$ 4,450,378
Correction of an error	
Accrued interest payable was overstated in the prior year	<u>608,734</u>
Net assets as restated	<u>\$ 5,059,112</u>

IV. OTHER INFORMATION

A. RISK MANAGEMENT

The County and Library 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 and Library carry commercial insurance. The County and Library pay an annual premium for general insurance coverage.

The County and Library 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 Library 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 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 Library pay an annual premium to the Worker's Compensation Trust for insurance coverage.

For all of the above risk management programs, the County and Library 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 Library have effectively transferred all risk with no liability for unfunded claims.

The Authority has no employees, and risk of loss is retained by the architecture and engineering firm which holds the contract for design, execution and management of the Authority's roads projects.

B. DEFINED BENEFIT PENSION PLAN

Plan Description - All permanent employees of the County and its component unit, 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.

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

IV. OTHER INFORMATION (CONTINUED)

B. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy - SCRS. Plan members are required to contribute 6.5% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 8.05% 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 unit for the years ended June 30, 2007, 2006, and 2005:

	Year Ended June 30,		
	2007	2006	2005
SCRS Contributions			
Primary Government	\$ 1,254,882	\$ 1,093,195	\$ 905,097
Component unit (Library)	87,354	77,577	61,614
Total SCRS	<u>\$ 1,342,236</u>	<u>\$ 1,170,772</u>	<u>\$ 966,711</u>
SCPORS Contributions			
Primary Government	<u>\$ 623,144</u>	<u>\$ 595,015</u>	<u>\$ 546,959</u>

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

C. DEFERRED COMPENSATION PLANS

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

All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer'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.

Litigation. The County is party to various legal proceedings that 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.

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

IV. OTHER INFORMATION (CONTINUED)

E. COMMITMENTS

Operating Leases. The County participates in certain leases accounted for as operating leases. 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, 2007, is \$324,625.

Future minimum rental payments required for the remaining terms under the noncancellable operating leases having a remaining term in excess of one year at June 30, 2007, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2008	\$ 250,860
2009	183,839
2010	114,521
2011	<u>64,182</u>
	<u>\$ 613,402</u>

Intergovernmental Agreement. The County entered into a ten year intergovernmental agreement with the City of North Charleston with an effective date of May 3, 1999. Under this agreement, the County will make semi-annual contributions to the City of North Charleston in an amount not to exceed \$90,000 in any fiscal year. All monies paid to the City shall be used solely to defray a portion of the cost of the acquisition, construction and maintenance of a road project. In the event of non-appropriation under this agreement, the County may terminate the contributions and shall not be obligated to make any future payments. Obligations under this agreement do not constitute a pledge of the full faith, credit, or taxing power of the County. Payments were made under the agreement during the current year in the amount of \$90,000.

Construction Commitments. At June 30, 2007, the County had commitments under contracts for construction of various sewer and airport projects not completed of approximately \$840,000, and the Authority had commitments under contracts for design, construction and management of various road projects of approximately \$10,300,000.

Fire Districts. There are four districts in the County formed for the purpose of assisting in the funding of fire protection in the County. The County provides funding for such services by the assessment of ad valorem taxes within the service area.

Nonprofit Fire Department. As directed by County Council, a county-wide fire district has entered into contracts with existing nonprofit fire protection entities throughout the County whereby the Fire Department provides all necessary equipment, manpower, and personnel for the provision of fire protection within its designated area. The agreement may be terminated by either party, and provides that the Fire Department may not obligate the County to any contract or other obligation without specific approval, and that all personal and real property purchased with County funds shall be titled in the name of the County.

F. 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, 2007, was set by County Council at 45.4 mills (\$4.54 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 5.8 mills for debt retirement, 6.8 mills for capital improvements, 143.5 mills for School District Two general operating, 29.8 mills for School District Two indebtedness, 219.20 mills for School District Four general operating, 30.0 mills for School District Four indebtedness, 15.0 mills for fire protection, 4.0 mills for fire improvement, 10.9 mills for technical and vocational schools, 1.7 mills for senior centers, and 4.5 mills for Library services. The assessed valuation of properties, exclusive of vehicles (valued at \$52,325,510), within the County's boundaries as of December 31, 2006, was \$319,599,630, according to the records of the County Auditor and Assessor.

DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

IV. OTHER INFORMATION (CONTINUED)

G. JOINT VENTURE

Lake Marion Water Agency - Dorchester County is one of six counties that have created the Lake Marion Water Agency. The County has one vote in the Agency. The purpose of the Agency is to provide high quality water at a cost effective price. The Agency began in a prior fiscal year, and is in the development stage which is expected to continue for four to five years. The County has no financial commitment until the Agency is fully operational. The Agency has received federal and state grants to fund the design, purchase of property, and other start-up costs.

St. George New Century Industrial Park - In 2001 the Town of St. George entered into an agreement with Dorchester County for the development of the St. George New Century Industrial Park. The Town provided approximately 14 acres and the County provided funds for development and infrastructure. The development of the park is supervised by the Park Committee, which is comprised of five individuals, two selected by the Town, two by the County, and the upper Dorchester County representative of the Charleston Regional Development Alliance or his designee. The Park Committee must obtain the approval of both the Town and the County for expenditures in excess of \$10,000. The Town and County must also jointly agree to and execute any notes, mortgages, deeds or contracts to sell, buy, lease, manage or market the property. Funds received for the sale of the Park property are designated for further economic development in upper Dorchester County, as are various donations received by area businesses for such purposes.

In July 2005 the County purchased and resold a parcel of land adjoining the New Century Industrial Park to a business for \$750,000. The purchase was funded by a \$200,000 down payment provided by the business, and a joint loan agreement from the County's Dorchester County Economic Development Fund, the County's Upper Dorchester County Economic Development Fund and the Town of St. George in the amounts of \$275,000, \$250,000, and \$25,000 respectively. The County's portion of the repayment amounts to \$523,900. See Note III. B.

H. CONCENTRATIONS OF CREDIT RISK

The County grants credit to water, sewer and solid waste customers in Dorchester County, South Carolina. In addition, the County grants credit to individuals requiring emergency medical services while in Dorchester County. Accounts receivable and financed impact fees are financial instruments that potentially subject the County to credit risk. No collateral is required for credit granted to customers.

The County terminates services for water, sewer and solid waste accounts unpaid after 90 days, but may not refuse emergency medical services to citizens for non-payment of accounts. The County participates in the State of South Carolina debt collection program whereby delinquent customer balances may be withheld from customers' state income tax refunds.

I. OTHER POSTEMPLOYMENT BENEFITS

The County provides postretirement health and dental care benefits, as per the requirement of a local ordinance, for certain retirees and their spouses. Employees who retire after fifteen years of full-time, continuous and consecutive employment and are eligible for full retirement benefits under SCRS or PORS (Note IV. B.) are eligible to continue their coverage.

The County will cover the employer portion of the monthly insurance premiums (approximately \$233 per month per participant in 2007) and the retiree is responsible for the remainder of the insurance premiums. The County will pay 25% of the premiums of the employee's spouse for employees who retire with over twenty years of continuous service. 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 14 eligible participants, and postretirement healthcare expense was \$40,108 for the year ended June 30, 2007.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

IV. OTHER INFORMATION (CONTINUED)

J. 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, 2008. The effects of implementation of GASB Statement No. 45 on the financial statements have not been determined.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which is effective for the County's year ended June 30, 2008. The effects of implementation of GASB Statement No. 48 on the financial statements have not been determined.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is effective for the County's year ended June 30, 2009. The effects of implementation of GASB Statement No. 49 on the financial statements have not been determined.

In June 2007, the GASB issued Statement No. 51, *Accounting and Reporting for Intangible Assets*, which is effective for the County's year ended June 30, 2010. The effects of implementation of GASB Statement No. 51 on the financial statements have not been determined.

K. SUBSEQUENT EVENTS

Primary Government

Subsequent to June 30, 2007, the following material events were approved by County Council:

- In October 2007 the County issued a tax anticipation note for \$3,700,000 with an interest rate of 3.54% to be repaid on April 10, 2008.
- County Council approved a construction contract totaling \$10,129,714.

Component Unit

Subsequent to June 30, 2007, Dorchester County Sales Tax Transportation Authority approved extensions for various construction contracts and awarded new contracts totaling \$1,787,284.

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

DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Page 1 of 2

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Taxes	\$17,523,946	\$17,523,946	\$ 17,937,865	\$ 413,919
Licenses and permits	2,247,270	2,247,270	2,367,830	120,560
Intergovernmental revenues				
Federal	213,916	213,916	270,413	56,497
State	5,163,748	5,163,748	5,347,708	183,960
Other governments	-	32,000	103,000	71,000
Fees and service charges				
Register of Deeds	1,908,030	1,908,030	1,874,532	(33,498)
EMS charges	2,400,000	2,400,000	2,747,176	347,176
Miscellaneous fees and charges	576,000	576,000	607,990	31,990
Judicial fines and assessments	1,644,741	1,644,741	1,803,523	158,782
Other Income	795,600	796,100	1,473,485	677,385
Total revenues	<u>32,473,251</u>	<u>32,505,751</u>	<u>34,533,522</u>	<u>2,027,771</u>
Expenditures				
Current				
General government				
County council	1,176,698	609,103	380,837	228,266
County administrator	623,835	429,693	358,066	71,627
Personnel	270,148	373,001	266,925	106,076
Planning	150,903	127,164	32,144	95,020
Purchasing	178,731	180,846	183,635	(2,789)
Finance	307,412	309,961	301,825	8,136
Management information systems	1,113,132	1,109,230	1,026,016	83,214
Registration board	176,294	143,497	106,774	36,723
Election commission	237,858	273,550	240,700	32,850
County safety	145,195	148,176	146,950	1,226
Magistrates	907,597	916,261	950,038	(33,777)
Circuit court	158,809	127,382	81,606	45,776
Probate judge	300,498	303,210	305,204	(1,994)
Master in equity	131,611	132,688	117,811	14,877
Attorney	70,619	90,669	83,436	7,233
Public defender	189,900	189,900	189,900	-
Juvenile justice	27,325	27,325	27,491	(166)
Solicitor	18,030	18,030	18,030	-
Building and grounds	740,956	740,956	647,716	93,240
Equipment maintenance	737,019	785,841	785,455	386
Facilities maintenance	1,211,154	1,344,463	1,278,830	65,633
Communications support	384,581	365,618	254,665	110,953
Auditor	481,596	491,747	476,499	15,248
Treasurer	771,226	780,580	771,071	9,509
Clerk of court	372,872	418,700	392,603	26,097
Delinquent tax collector	332,248	341,785	339,621	2,164
Assessor	898,139	975,629	893,074	82,555
Register of mesne conveyances	457,588	453,948	440,429	13,519
Family court	453,034	462,890	466,017	(3,127)
Planning board	7,527	5,727	3,591	2,136
Total general government	<u>13,032,535</u>	<u>12,677,570</u>	<u>11,566,959</u>	<u>1,110,611</u>

(continued)

DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Page 2 of 2

	Budgeted Amounts			Variance with final budget positive (negative)
	Original	Final	Actual	
Expenditures (continued)				
Current (continued)				
Public safety				
Sheriff	\$ 6,890,291	\$ 7,033,424	\$ 7,250,424	\$ (217,000)
Jail	3,022,569	3,129,558	3,085,843	43,715
Coroner	223,241	252,071	254,384	(2,313)
Emergency preparedness	129,115	140,192	122,479	17,713
Fire services	65,000	65,000	64,692	308
Codes enforcement and inspections	1,022,394	1,035,336	1,040,586	(5,250)
Emergency medical services	3,271,529	3,287,902	3,387,067	(99,165)
Total public safety	14,624,139	14,943,483	15,205,475	(261,992)
Roads and drainage				
Public works	2,306,065	2,296,193	2,133,655	162,538
Transportation tax administration	10,000	10,000	5,981	4,019
Total roads and drainage	2,316,065	2,306,193	2,139,636	166,557
Health and welfare				
Health department	33,137	33,137	26,749	6,388
Animal control	134,010	133,911	119,915	13,996
Veterans affairs	133,545	135,160	133,994	1,166
Total health and welfare	300,692	302,208	280,658	21,550
Culture and recreation	167,200	185,468	200,354	(14,886)
Airport	92,167	106,979	65,826	41,153
Economic development	287,692	289,307	219,833	69,474
Intergovernmental and nonprofit	1,108,853	1,119,577	1,098,890	20,687
Nondepartmental				
Employee benefits	85,000	83,398	45,999	37,399
Insurance	306,823	306,823	292,169	14,654
Other	72,120	92,945	92,093	852
Total nondepartmental	463,943	483,166	430,261	52,905
Total current expenditures	32,393,286	32,413,951	31,207,892	1,206,059
Debt Service				
Interest and fiscal charges	160,000	160,000	218,700	(58,700)
Total expenditures	32,553,286	32,573,951	31,426,592	1,147,359
Excess (deficiency) of revenues over expenditures	(80,035)	(68,200)	3,106,930	3,175,130
Other financing sources(uses)				
Gain from sale of fixed assets	30,000	30,000	1,250	(28,750)
Transfers in	1,324,709	1,114,235	1,158,308	44,073
Transfers out	(1,227,674)	(1,477,734)	(852,282)	625,452
Total other financing sources(uses)	127,035	(333,499)	307,276	640,775
Increase (decrease) in fund balance	\$ 47,000	\$ (401,699)	\$ 3,414,206	\$ 3,815,905

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

DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	Budgeted Amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Taxes	\$ 2,547,534	\$ 2,547,534	\$ 2,678,094	\$ 130,560
Intergovernmental Revenue	-	-	40,000	40,000
Other Income	2,500	2,500	40,476	37,976
Total revenues	<u>2,550,034</u>	<u>2,550,034</u>	<u>2,758,570</u>	<u>208,536</u>
Expenditures				
Current				
General government	-	-	60,095	(60,095)
Public Safety	-	-	189	(189)
Total current expenditures	<u>-</u>	<u>-</u>	<u>60,284</u>	<u>(60,284)</u>
Capital outlay	<u>2,031,867</u>	<u>2,422,241</u>	<u>1,894,934</u>	<u>527,307</u>
Debt service				
Principal retirement	529,574	529,574	448,936	80,638
Interest and fiscal charges	<u>23,217</u>	<u>23,217</u>	<u>28,314</u>	<u>(5,097)</u>
Total debt service	<u>552,791</u>	<u>552,791</u>	<u>477,250</u>	<u>75,541</u>
Total expenditures	<u>2,584,658</u>	<u>2,975,032</u>	<u>2,432,468</u>	<u>542,564</u>
Excess (deficiency) of revenues over expenditures	<u>(34,624)</u>	<u>(424,998)</u>	<u>326,102</u>	<u>751,100</u>
Other financing sources (uses)				
Gain from sale of fixed assets	-	-	64,265	64,265
Transfers in	<u>138,827</u>	<u>420,898</u>	<u>386,274</u>	<u>(34,624)</u>
Total other financing sources (uses)	<u>138,827</u>	<u>420,898</u>	<u>450,539</u>	<u>29,641</u>
Increase (decrease) in fund balance	<u>\$ 104,203</u>	<u>\$ (4,100)</u>	<u>\$ 776,641</u>	<u>\$ 780,741</u>

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

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTES TO BUDGETARY COMPARISON SCHEDULES –
GENERAL FUND AND CAPITAL IMPROVEMENTS FUNDS
YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Annual budgets are adopted for the General Fund and the Capital Improvements Fund on a budgetary basis that is consistent with generally accepted accounting principles.

All agencies of the County must submit requests for appropriations to the County Administrator by April 17 along with revenue estimates so that a budget may be prepared. By May 15, 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 department 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 and between the General and Capital Improvements Funds. The budget ordinance must be amended by County Council to effect changes in the combined fund totals or in personnel-related costs.

Budgets, as reported in the accompanying schedules, 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 operating transfers to other funds.

Supplementary appropriations of expenditures and transfers out in the General Fund amounted to \$270,725. In addition, budgeted revenues increased by \$32,500, and transfers in decreased by \$210,474. This budget amendment of \$448,699 was funded from fund balance.

Capital Improvements Fund supplementary appropriations of expenditures amounted to \$390,374. This budget amendment was funded by a budgeted increase in transfers from other funds amounting to \$282,071, fund balance of \$4,100 and originally budgeted surplus of \$104,203.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

DORCHESTER COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue			
	Grants Fund	Fire Fund	Sheriff's Fund	Economic Development
Assets				
Cash and cash equivalents	\$ -	\$ 781,913	\$ 247,314	\$ 1,375,253
Receivables, net of allowances for uncollectibles				
Property taxes	-	3,817,383	-	-
Accounts	-	-	-	-
Other	5,241	-	-	195,050
Due from other governments	389,830	-	-	208,000
Loans receivable	-	-	-	273,900
Temporarily restricted assets				
Cash and cash equivalents	-	-	-	160,785
Total assets	\$ 395,071	\$ 4,599,296	\$ 247,314	\$ 2,212,988
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,470	\$ 34,294	\$ 662	\$ 135,363
Accrued liabilities	1,713	-	-	-
Due to other funds	361,601	-	-	6,495
Deferred revenues	27,750	3,735,774	79,618	-
Total liabilities	393,534	3,770,068	80,280	141,858
Fund Balances (deficits)				
Reserved for noncurrent receivables	-	-	-	273,900
Designated for subsequent years' appropriations	-	-	-	-
Undesignated, reported in				
Special revenue funds	1,537	829,228	167,034	1,797,230
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Total fund balances (deficits)	1,537	829,228	167,034	2,071,130
Total liabilities and fund balances (deficits)	\$ 395,071	\$ 4,599,296	\$ 247,314	\$ 2,212,988

Special Revenue						
Family Court DSS	E-911	Victims' Advocate	First Circuit Solicitor	C Funds	Senior Citizens Center	Upper Dorchester Economic Development
\$ 76,630	\$ 391,696	\$ 2,042	\$ 210,463	\$ -	\$ 590,422	\$ 3,193,638
-	-	-	-	-	672,294	-
-	78,178	-	-	-	-	-
-	-	-	-	-	-	-
2,170	-	-	73,520	381,294	-	-
-	-	-	-	-	-	118,750
-	-	-	-	-	-	-
<u>\$ 78,800</u>	<u>\$ 469,874</u>	<u>\$ 2,042</u>	<u>\$ 283,983</u>	<u>\$ 381,294</u>	<u>\$ 1,262,716</u>	<u>\$ 3,312,388</u>
\$ 509	\$ 59,318	\$ 649	\$ 6,738	\$ -	\$ -	\$ -
-	885	2,772	37,305	-	-	-
-	-	6,902	-	327,674	-	-
-	-	-	-	80,258	659,622	-
<u>509</u>	<u>60,203</u>	<u>10,323</u>	<u>44,043</u>	<u>407,932</u>	<u>659,622</u>	<u>-</u>
-	-	-	-	-	-	118,750
660	88,035	-	-	-	-	-
77,631	321,636	(8,281)	239,940	(26,638)	603,094	3,193,638
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>78,291</u>	<u>409,671</u>	<u>(8,281)</u>	<u>239,940</u>	<u>(26,638)</u>	<u>603,094</u>	<u>3,312,388</u>
<u>\$ 78,800</u>	<u>\$ 469,874</u>	<u>\$ 2,042</u>	<u>\$ 283,983</u>	<u>\$ 381,294</u>	<u>\$ 1,262,716</u>	<u>\$ 3,312,388</u>

DORCHESTER COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

Page 2 of 2

	Special Revenue		Debt Service	Capital Projects	Total Nonmajor Governmental Funds
	Children in Crisis	Other Special Revenue Fund	County Bonds	Court House	
Assets					
Cash and cash equivalents	\$ -	\$ 74,468	\$ 1,765,756	\$ -	\$ 8,709,595
Receivables, net of allowances for uncollectibles					
Property taxes	362,037	-	2,302,364	-	7,154,078
Accounts	-	-	-	-	78,178
Other	-	900	-	-	201,191
Due from other governments	-	-	-	-	1,054,814
Loans receivable	-	-	-	-	392,650
Temporarily restricted assets					
Cash and cash equivalents	-	-	-	11,868,072	12,028,857
Total assets	\$ 362,037	\$ 75,368	\$ 4,068,120	\$ 11,868,072	\$ 29,619,363
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 5	\$ -	\$ 60,588	\$ 300,596
Accrued liabilities	-	-	-	-	42,675
Due to other funds	-	-	-	-	702,672
Deferred revenues	362,037	-	2,259,197	-	7,204,256
Total liabilities	362,037	5	2,259,197	60,588	8,250,199
Fund Balances (deficits)					
Reserved for noncurrent receivables	-	-	-	-	392,650
Designated for subsequent years' appropriations	-	-	-	-	88,695
Undesignated, reported in					
Special revenue funds	-	75,363	-	-	7,271,412
Capital projects fund	-	-	-	11,807,484	11,807,484
Debt service funds	-	-	1,808,923	-	1,808,923
Total fund balances (deficits)	-	75,363	1,808,923	11,807,484	21,369,164
Total liabilities and fund balances (deficits)	\$ 362,037	\$ 75,368	\$ 4,068,120	\$ 11,868,072	\$ 29,619,363

DORCHESTER COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue			
	Grants Fund	Fire Fund	Sheriff's Fund	Economic Development
Revenues				
Taxes	\$ -	\$4,281,020	\$ -	\$ 519,085
Intergovernmental revenues				
Federal	1,879,469	-	-	-
State	94,182	-	-	603,050
Local	34,000	-	-	-
Fees and service charges	-	-	-	-
Judicial fines and fees	-	-	198,699	-
Other income	96	47,948	54,202	462,086
Total revenues	<u>2,007,747</u>	<u>4,328,968</u>	<u>252,901</u>	<u>1,584,221</u>
Expenditures				
Current				
General government	130,933	-	-	-
Public safety	116,908	3,679,937	202,952	-
Roads and drainage	-	-	-	-
Health and welfare	10,530	-	-	-
Economic development	-	-	-	1,665,118
Intergovernmental and nonprofit assistance	-	-	-	-
Capital outlay	757,732	-	32,411	-
Debt service				
Principal retirement	-	43,256	-	-
Interest and fiscal charges	-	35,127	-	-
Total expenditures	<u>1,016,103</u>	<u>3,758,320</u>	<u>235,363</u>	<u>1,665,118</u>
Excess (deficiency) of revenues over expenditures	<u>991,644</u>	<u>570,648</u>	<u>17,538</u>	<u>(80,897)</u>
Other financing sources (uses)				
Transfers in	86,452	-	8,375	-
Transfers (out)	<u>(15,667)</u>	<u>-</u>	<u>(11,232)</u>	<u>-</u>
Total other financing sources (uses)	<u>70,785</u>	<u>-</u>	<u>(2,857)</u>	<u>-</u>
Net changes in fund balances	1,062,429	570,648	14,681	(80,897)
Fund balances (deficit)				
Beginning of year	<u>(1,060,892)</u>	<u>258,580</u>	<u>152,353</u>	<u>2,152,027</u>
End of year	<u>\$ 1,537</u>	<u>\$ 829,228</u>	<u>\$ 167,034</u>	<u>\$ 2,071,130</u>

Special Revenue						
Family Court DSS	E-911	Victims' Advocate	First Circuit Solicitor	C Funds	Senior Citizens Center	Upper Dorchester Economic Development
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 680,809	\$ -
28,058	-	-	-	-	-	-
-	193,086	-	934,343	1,414,994	60,000	1,295,779
-	-	-	637,700	-	-	-
-	492,561	-	-	-	-	-
-	-	182,878	-	-	-	-
3,630	13,320	106	4,804	-	28,701	48,847
<u>31,688</u>	<u>698,967</u>	<u>182,984</u>	<u>1,576,847</u>	<u>1,414,994</u>	<u>769,510</u>	<u>1,344,626</u>
22,651	-	-	2,019,419	-	-	-
-	448,313	183,374	-	-	-	-
-	-	-	-	1,495,252	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	20,000
-	-	-	-	-	521,695	-
-	1,585	-	-	-	-	-
-	142,349	-	-	-	143,338	-
-	30,347	-	-	-	39,567	-
<u>22,651</u>	<u>622,594</u>	<u>183,374</u>	<u>2,019,419</u>	<u>1,495,252</u>	<u>704,600</u>	<u>20,000</u>
<u>9,037</u>	<u>76,373</u>	<u>(390)</u>	<u>(442,572)</u>	<u>(80,258)</u>	<u>64,910</u>	<u>1,324,626</u>
-	-	-	582,146	-	-	-
(800)	-	-	(24,733)	-	-	-
(800)	-	-	557,413	-	-	-
8,237	76,373	(390)	114,841	(80,258)	64,910	1,324,626
70,054	333,298	(7,891)	125,099	53,620	538,184	1,987,762
<u>\$ 78,291</u>	<u>\$ 409,671</u>	<u>\$ (8,281)</u>	<u>\$ 239,940</u>	<u>\$ (26,638)</u>	<u>\$ 603,094</u>	<u>\$ 3,312,388</u>

DORCHESTER COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

Page 2 of 2

	Special Revenue		Debt Service	Capital Projects	Total Nonmajor Governmental Funds
	Children in Crisis	Other Special Revenue Fund	County Bonds	Court House	
Revenues					
Taxes	\$ -	\$ -	\$2,249,114	\$ -	\$ 7,730,028
Intergovernmental revenues					
Federal	-	-	-	-	1,907,527
State	-	41,696	-	-	4,637,130
Local	-	-	-	-	671,700
Fees and service charges	-	25,500	-	-	518,061
Judicial fines and fees	-	-	-	-	381,577
Other income	-	702	93,542	580,765	1,338,749
Total revenues	-	67,898	2,342,656	580,765	17,184,772
Expenditures					
Current					
General government	-	25	-	-	2,173,028
Public safety	-	-	-	-	4,631,484
Roads and drainage	-	-	-	-	1,495,252
Health and welfare	-	-	-	-	10,530
Economic development	-	-	-	-	1,685,118
Intergovernmental and nonprofit assistance	-	42,049	-	-	563,744
Capital outlay	-	-	-	534,545	1,326,273
Debt service					
Principal retirement	-	-	900,000	-	1,228,943
Interest and fiscal charges	-	-	1,024,306	-	1,129,347
Total expenditures	-	42,074	1,924,306	534,545	14,243,719
Excess (deficiency) of revenues over expenditures	-	25,824	418,350	46,220	2,941,053
Other financing sources (uses)					
Transfers in	-	-	-	-	676,973
Transfers (out)	-	-	-	-	(52,432)
Total other financing sources (uses)	-	-	-	-	624,541
Net changes in fund balances	-	25,824	418,350	46,220	3,565,594
Fund balances (deficit)					
Beginning of year	-	49,539	1,390,573	11,761,264	17,803,570
End of year	\$ -	\$75,363	\$1,808,923	\$11,807,484	\$ 21,369,164

DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
YEAR ENDED JUNE 30, 2007

Court Fines and Assessments	
Court fines and assessments collected	\$ 2,620,800
Court fines and assessments remitted to State Treasurer	<u>(1,040,365)</u>
Total court fines and assessments retained	<u>\$ 1,580,435</u>
Fines, surcharges and assessments retained by County	
General fund	\$ 1,397,557
Victims advocate services	<u>182,878</u>
Total surcharges and assessments	<u>\$ 1,580,435</u>
Funds Allocated to Victims Advocate Service	
Deficit fund balance from prior year	<u>\$ (7,891)</u>
Surcharges and assessments retained	182,878
Interest earned	106
Expenditures for victims advocate service	<u>(183,374)</u>
Total (over) under expenditure of victims advocate assistance funds	<u>(390)</u>
Remaining funds (deficit)	<u>\$ (8,281)</u>

**DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Page 1 of 2

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass-Through Grantor's Number	Allowable Federal Expenditures
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed through South Carolina Department of Commerce			
Community Development Block Grant			
Stratton Capers Sewer	14.228	4-L-02-050	\$ 21,382
Total for U.S. Department of Housing and Urban Development			21,382
U.S. DEPARTMENT OF JUSTICE			
Passed through South Carolina Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program			
Violent Crimes Processing Unit	16.738	1-G-06-10	89,674
Violence Against Women Formula Grants			
First Circuit Crime Victim Assistance Program	16.588	1-V-06-084	29,332
Direct Programs			
Bureau of Justice Assistance			
Sheriff's FY 2002 BPV Partnership Grant Program	16.607	N/A	10,388
Sheriff's FY 2006 BPV Partnership Grant Program	16.607	N/A	40,513
Total CFDA Number 16.607			50,901
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-0169	8,851
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-0387	13,618
Total CFDA Number 16.738			22,469
Sheriff's Low Country Technology Improvement	16.580		36,415
Total for U.S. Department of Justice			228,791
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Programs			
Federal Aviation Administration			
Airport Improvement Program			
St. George Rehab Runway and Apron	20.106	3-45-0052-04	37,227
Summerville Apron Rehab and Fencing Project	20.106	3-45-0062-08	3,828
Summerville Design, Taxilanes and T-Hangers	20.106	3-45-0062-010-2006	711,689
Summerville Apron Rehab and Fencing Project	20.106	3-45-0062-011-2007	5,644
Total CFDA Number 20.106			758,388
Passed through South Carolina Department of Transportation			
Highway Planning and Construction			
Sand Hill Community Sidewalk Project - Phase I	20.205	18Q22RUL3015	375
Total for U.S. Department of Transportation			758,763

(continued)

DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

Page 2 of 2

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass-Through Grantor's Number	Allowable Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through South Carolina Department of Social Services			
Federal Financial Participation			
Family Preservation (CWS Part II)	93.556		\$ 2,089
TANF Block Grant	93.558		42,982
Child Support Enforcement	93.563		31
Child Welfare Services - State Grant	93.645		2,811
Title IV-E Foster Care	93.658		7,824
Social Services Block Grant	93.667	Reimbursement from SCDHHS	10,480
Medicaid Programs	93.778	Reimbursement from SCDHHS	14,156
State Administration Matching Grant Food			27,518
Stamp Program	10.561		268
Child Care Development Fund	93.575		11,901
General/All State	93.596		<u>120,060</u>
Total Federal Financial Participation			<u>120,060</u>
Child Support Enforcement			
Family Court - Filing Fees	93.563		136,889
Sheriff's Department	93.563		2,343
Title IV-D	93.563		70,923
Clerk of Court - Service Fees	93.563		11,121
Clerk of Court - Filing Fees	93.563		<u>27,642</u>
Total CFDA Number 93.563			<u>248,918</u>
Total for U.S. Department of Health & Human Services			<u>368,978</u>
Total Expenditures of Federal Awards			<u>\$ 1,377,914</u>

The accompanying Note to Schedule of Expenditures of Federal Awards is an integral part of this schedule.

**DORCHESTER COUNTY, SOUTH CAROLINA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

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. The County considers grant revenues to be available if they are collected within 60 days of year end. Revenues that are measurable but not available are recorded as deferred, and are recognized as revenue when collected. Expenditures are recorded when the related liability is incurred.

GOVERNMENT AUDITING STANDARDS AND SINGLE AUDIT REPORTS



BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

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***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
Dorchester County, South Carolina
St. George, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of ***Dorchester County, South Carolina***, as of and for the year ended June 30, 2007, which collectively comprise ***Dorchester County, South Carolina's*** basic financial statements and have issued our report thereon dated January 18, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Dorchester County Library, a discretely presented component unit, as described in our report on ***Dorchester 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 ***Dorchester County, South Carolina's*** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. See findings 2007-1 through 2007-5.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Dorchester 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*.

We noted certain matters that we reported to management of Dorchester County in a separate letter dated January 18, 2008.

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

January 18, 2008



BRYAN, TRUESDALE, ADKINS & WILLIAMS, PA

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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
Dorchester County, South Carolina
Walterboro, South Carolina

Compliance

We have audited the compliance of **Dorchester 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, 2007. **Dorchester 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 **Dorchester County, South Carolina's** management. Our responsibility is to express an opinion on **Dorchester 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 **Dorchester 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 **Dorchester County, South Carolina's** compliance with those requirements.

In our opinion, **Dorchester 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, 2007.

Internal Control Over Compliance

The management of **Dorchester 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 **Dorchester 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 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Dorchester County, South Carolina's** internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects **Dorchester County, South Carolina's** ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by **Dorchester County, South Carolina's** internal control.

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

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

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

Bryan, Truesdale, Adkins & Williams, PA

January 18, 2008

**DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

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 ☒ no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ 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 ☒ no

Identification of major programs:

CFDA Number(s)

93.563

16.738

16.588

Name of Federal Program or Cluster

Child Support Enforcement

Edward Byrne Memorial Justice Assistance Grant Program

Violence Against Women Formula Grants

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

Auditee qualified as low-risk auditee? ☒ yes ☐ no

**DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section II - Financial Statement Findings

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
2007-1	Purchasing/ Accounts Payable	<p><u>Condition:</u> As reported in the prior year, individuals in the purchasing department have security profiles in the computer system that allow them to enter new vendors, originate purchase orders or approve purchase requisitions, and document receipt of orders, which is the final step before payment.</p> <p><u>Criteria:</u> The duties of entering new vendors and originating purchase orders or approving requisitions should be segregated from that of acknowledging receipt of goods or services.</p> <p><u>Cause:</u> Emphasis on efficiency led to lack of emphasis on internal control.</p> <p><u>Effect:</u> Internal controls were insufficient to reduce to an acceptably low level the risk that a vendor could be added, a purchase originated, received and paid without review or authorization.</p> <p><u>Recommendation:</u> Computer profiles should be altered to prohibit employees who enter new vendors, originate purchase orders or approve purchase requisitions from documenting receipt of orders.</p>
2007-2	Purchasing/ Information Technology	<p><u>Condition:</u> A purchase order in a dollar amount which required approval by the administrator was electronically approved by the head of the purchasing department whose security level in the purchasing module is set at the administrator level.</p> <p><u>Criteria:</u> Users of the H.T.E. accounting system should not have security levels that are higher than the level at which they have authority to approve transactions.</p> <p><u>Cause:</u> The duties of assigning security levels in the H.T.E. software have been delegated to the department heads. This practice, by definition, gives the department heads administrator level rights to their various modules of the H.T.E. software.</p> <p><u>Effect:</u> Although documentation supporting the administrator's approval of the transaction in question was maintained outside the purchasing module, the potential exists that a purchase order could be processed and goods and/or services be purchased without administrator approval.</p> <p><u>Recommendation:</u> Assignment of access to and permission levels in the various H.T.E. modules should be made by the staff in the Information Technology department, based on written requests from the department head using the software. Such permissions should be appropriate to the level of authority for the user, and the documentation of the original request and any changes thereto should be retained by the Information Technology department.</p>

**DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section II - Financial Statement Findings (continued)

Ref #	Department/ Program/Grant	Finding/Noncompliance
2007-3	Capital Assets	<p><u>Condition:</u> As reported in the prior year, costs and project status for assets such as roads, runways and buildings that are constructed rather than obtained by outright purchase are not tracked by County personnel on an ongoing basis.</p> <p><u>Criteria:</u> Projects that either individually or as a subsystem meet the following criteria should be reported as construction in progress, and recorded as infrastructure assets in County's capital asset records.</p> <ul style="list-style-type: none"> • The projected cost of the project must meet the County's \$50,000 threshold for infrastructure additions and \$1,500 for all other additions. • The project must be a new asset, or must substantially improve or extend the life of an existing asset. <p>Projects that do not meet the above criteria should be reported as current year expenditures and omitted from construction in progress records.</p> <p><u>Causes:</u> 1) There is no single department tasked with monitoring the status of construction projects and notifying personnel responsible for maintaining capital asset records that a construction project has been started or completed and placed in service;</p> <p style="padding-left: 40px;">2) The project accounting module in the general ledger software is used both to account for grant activity and construction activity. Since a transaction may only be assigned to one project, and the grant accounting is taking precedence over the construction activity, the construction activity for projects funded by grants is accounted for outside of the general ledger or not at all.</p> <p><u>Effect:</u> Construction in progress was not updated and reconciled until prompted as part of the audit process.</p> <p><u>Recommendation:</u> Establish clear guidelines for monitoring and reporting the status of construction projects. All assets should be added to capital asset records when placed in service. Records supporting the cost of such assets should be supported by or reconciled to the general ledger accounts where the disbursements are recorded.</p>
2007-4	Capital Assets- Governmental Funds	<p><u>Condition:</u> Capital assets were incorrectly omitted or included in the County's capital asset subsidiary records.</p> <p><u>Criteria:</u> Only costs that meet the County's capitalization limits should be charged to capital outlay general ledger accounts. Conversely, all expenditures for capital assets should be charged to capital outlay accounts.</p> <p><u>Causes:</u> Individuals responsible for initiating requisitions and performing the buyer function are insufficiently trained in the criteria for classifying an expenditure as capital outlay and in the procedure to be followed when an expenditure meets capitalization criteria when the requisition is initiated but is below capitalization limits when the product is invoiced.</p> <p><u>Effect:</u> Additions to the capital assets subsidiary records did not equal capital outlay expenditures until reconciled after year-end.</p>

**DORCHESTER COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section II - Financial Statement Findings (continued)

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
2007-4	Capital Assets- Governmental Funds (Continued)	<u>Recommendation:</u> Capital outlay general ledger accounts should be monitored on an ongoing basis, and reconciled periodically to current year additions to the capital asset subsidiary. Variances between the two should be corrected. All necessary personnel, including purchasing, finance and staff in the departments responsible for issuing requisitions should be educated in the County's capitalization policy and in what costs make up the cost of an asset. The cost of the asset should include the costs necessary to place the asset in service, such as shipping, taxes, and installation costs, but should exclude warranty costs and training. Consider issuing written guidelines to assist in this process.
2007-5	Capital Assets- Proprietary Funds	<p><u>Condition:</u> Costs associated with water and sewer construction in progress were inconsistently recorded in the general ledger, as follows:</p> <ul style="list-style-type: none"> • Costs paid from operating funds were charged to various expenditure accounts, only some of which were designated as capital outlay accounts. • Costs paid from impact fees and bond proceeds were recorded by journal entry directly to construction in progress accounts. <p><u>Criteria:</u> The cost of capital assets purchased or constructed by a proprietary fund should be recorded as assets on the balance sheet rather than in the income statement.</p> <p><u>Cause:</u> The purchase order system does not allow purchase orders to be posted directly to asset accounts.</p> <p><u>Effect:</u> Adjustments were required to expenditure and construction in progress asset accounts at year-end and the cost of operations during the year were distorted.</p> <p><u>Recommendation:</u> Consider establishing a separate cost center for the posting of costs related to construction in progress. All project costs, regardless of funding source, should be posted to this cost center, allowing for consistent accounting treatment and better tracking of the cost of day-to-day operations. Transfer the cost of capital assets from the income statements to the balance sheet on a regular basis, preferably monthly.</p>

Section III - Federal Award Findings and Questioned Costs

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

**DORCHESTER COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

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