

Oconee County, South Carolina

**Annual Financial Statements and Independent Auditors' Report
For the Year Ended June 30, 2003**

Byerley & Payne
Kirk S. Messick
Certified Public Accountants

**Oconee County, South Carolina
Annual Financial Report
For the Year Ended June 30, 2003**

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Independent Auditors' Report

Oconee County Council
Oconee County
Walhalla, 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 Oconee County, South Carolina, as of and for the year ended June 30, 2003 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oconee County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Only the firm of Byerley & Payne, CPA, PA audited the financial statements of the Oconee County Sewer Commission, a discretely presented component unit. This audit was not conducted under *Government Auditing Standards* because there was no requirement to do so. The Commission had total assets of \$23,111,547 as of June 30, 2003, and total revenues of \$2,979,328 for the year then ended. Our opinion on the basic financial statements, insofar as it relates to the amounts included for the Oconee County Sewer Commission in the discretely presented component unit column is based solely on the report of Byerley & Payne, CPA, PA.

The basic financial statements of the School District of Oconee County, a discretely presented component unit was audited by other auditors. The District had total assets of \$95,369,338 as of June 30, 2003, and total revenues of \$89,162,568 for the year then ended. Our opinion on the basic financial statements, insofar as it relates to the amounts included for the School District of Oconee County in the discretely presented component unit column is based solely on the report of other auditors.

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

In our opinion, based on our audit and on the report of Byerley & Payne, CPA, PA of the Oconee County Sewer Commission and the report of other auditors on the School District of Oconee County the financial statements referred to above present fairly, in all material respects, the respective financial position of the

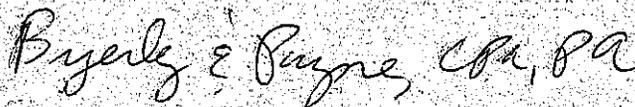
governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Oconee County, South Carolina, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2-N, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2003.

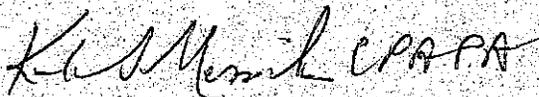
In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 1, 2003, on our consideration of Oconee County, South Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and pages 37 to 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oconee County, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, other schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Byerley & Payne, CPA, PA



Kirk S. Messick, CPA, PA

December 1, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

OCONEE COUNTY, SOUTH CAROLINA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Oconee County, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Oconee County for the fiscal year ended June 30, 2003. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

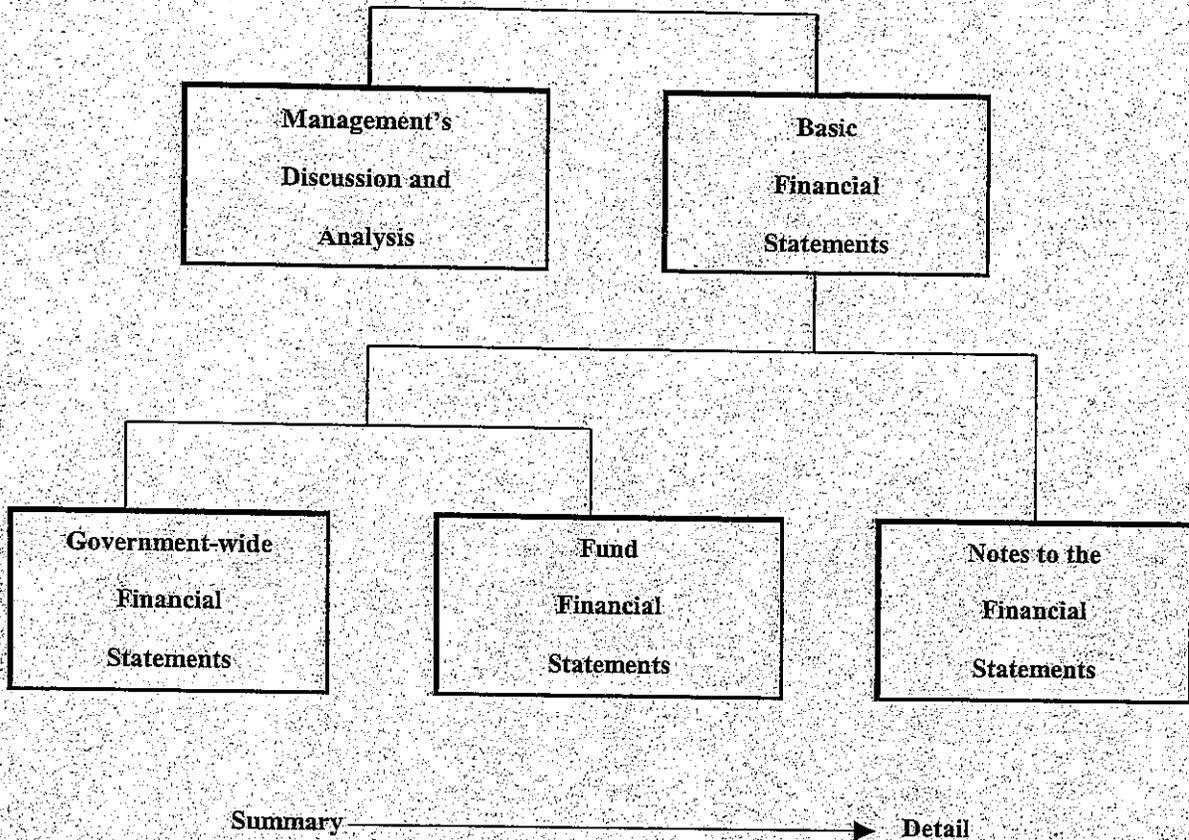
FINANCIAL HIGHLIGHTS

- The assets of Oconee County exceeded its liabilities at the close of the fiscal year by \$48,527,915 (net assets).
- The government's total net assets decreased by \$973,672, primarily due to the governmental activities' depreciation.
- As of the close of the current fiscal year, Oconee County's governmental funds reported combined ending fund balances of \$ 22,011,130, a decrease of \$3,714,580 in comparison with the prior year. Approximately 61.8% of this total amount, or \$13,608,148, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,910,410, or 26.5% of total general fund expenditures for the fiscal year.
- Oconee County's total debt increased by \$5,422,393 (32.0%) during the current fiscal year. The key factor in this increase is the fact that Oconee County issued general obligation debt in 2002 for the purpose of construction of Phase I of the Emergency Services Facility and acquired nine fire trucks with two capital leases.
- Oconee County maintained its A1/A+ bond rating for the 2nd consecutive year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Oconee County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Oconee County.

Required Components of Annual Financial Report
Figure 1



BASIC FINANCIAL STATEMENTS

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements:

- 1) the governmental funds statements,
- 2) the proprietary fund statements and
- 3) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required and other supplemental information** is provided to show details about the County's budgetary comparison schedules and combining statements for the non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information for the General Fund that includes the original budget, the final amended budget, and actual results with calculated variances can be found in this part of the statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the County's basic services such as human services, culture and recreation, public safety, judicial services, streets and highways, and general administration. Property and other taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the landfill services and rock sales from the quarry that are offered by Oconee County. The final category is the component units. Oconee County Sewer Commission is responsible for the management of rural sewer services within Oconee County. The County appoints the Commission members, reviews and approves budget requests and adjustments, and is, therefore, financially accountable for the Commission. Although legally separate from the County with a separately elected board, the School District of Oconee County is fiscally dependent on the County. The County must approve the tax levy each year to fund the local property tax portion of the School District's budget.

The government-wide financial statements are on pages 14-15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide a more detailed look at the County's most significant activities. 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. Oconee County, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Oconee County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a

reconciliation that is a part of the fund financial statements.

Oconee County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds

Oconee County has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its solid waste operations and the rock quarry sales operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Oconee County has thirteen fiduciary funds, all of which are agency 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. The notes to the financial statements are on pages 24-36 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Oconee County's budgetary comparison schedule and combining statements and schedules. Required supplementary information can be found beginning on page 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended June 30, 2003, are the beginning of a new era in financial reporting for Oconee County, along with many other units of government across the United States. Prior to this year, the County maintained their governmental and proprietary fund groups as

two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Government Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the County's financial reports as well as those of other units of government. While Oconee County was required to implement these changes for the fiscal year ended June 30, 2003, other units may have been required to implement in 2002 and others not until 2004.

Because of the new reporting model, comparative data for all facets of this report are not available. When comparative numbers are accessible, they have been included, such as with net assets. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

Oconee County's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 24,655,980	\$ 29,057,804	\$ 12,754,792	\$ 12,438,008	\$ 37,410,772	\$ 41,495,812
Capital assets	33,676,764	22,514,004	8,757,999	8,788,111	42,434,763	31,302,115
Total assets	\$ 58,332,744	\$ 51,571,808	\$ 21,512,791	\$ 21,226,119	\$ 79,845,535	\$ 72,797,927
Long-term liabilities outstanding	\$ 20,021,617	\$ 15,633,293	\$ 4,633,497	\$ 4,891,418	\$ 24,655,114	\$ 20,524,711
Other liabilities	5,918,954	5,283,801	743,552	157,901	6,662,506	5,441,702
Total liabilities	\$ 25,940,571	\$ 20,917,094	\$ 5,377,049	\$ 5,049,319	\$ 31,317,620	\$ 25,966,413
Net assets:						
Invested in capital assets, net of related debt	\$ 24,052,990	\$ 18,200,357	\$ 8,757,999	\$ 8,788,112	\$ 32,810,989	\$ 26,988,469
Restricted	4,091,840	7,968,969	-	-	4,091,840	7,968,969
Unrestricted	4,247,343	4,485,388	7,377,743	7,388,688	11,625,086	11,874,076
Total net assets	\$ 32,392,173	\$ 30,654,714	\$ 16,135,742	\$ 16,176,800	\$ 48,527,915	\$ 46,831,514

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$48,527,915 as of June 30, 2003. The County's net assets decreased by \$973,672 for the fiscal year ended June 30, 2003. The total net assets from 2002 do not reflect prior year adjustments that were made for the fiscal year ended June 30, 2003 during the 2003 year. The largest portion of the net assets (67.6%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Oconee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by

other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net assets (8.4%) represents resources that are subject to external restrictions on how they may be used. The final portion of net assets (24%) is unrestricted, with a balance of \$11,625,086 at June 30, 2003. This balance may be used to meet the government's ongoing obligations to its citizens and creditors.

Oconee County's Changes in Net Assets
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues						
Program revenues:						
Charges for services	\$ 3,062,516	\$ 2,888,822	\$ 3,692,232	\$ 3,327,806	\$ 6,754,748	\$ 6,216,628
Operating grants and contributions	1,344,873	1,864,529	25,058	30,857	1,369,931	1,895,386
Capital grants and contributions	1,765,114	2,873,317	-	-	1,765,114	2,873,317
General revenues:						
Property taxes	21,322,657	21,544,114	-	-	21,322,657	21,544,114
Other taxes	975,016	293,150	-	-	975,016	293,150
Grants and contributions not restricted to specific programs	2,931,443	2,958,336	-	-	2,931,443	2,958,336
Interest income	579,433	956,816	108,550	168,020	687,983	1,124,836
Miscellaneous	981,957	473,647	-	-	981,957	473,647
Capital contributions	-	101,052	-	-	-	101,052
Total revenues	\$ 32,963,009	\$ 33,953,783	\$ 3,825,840	\$ 3,526,683	\$ 36,788,849	\$ 37,480,466
Expenses						
General government	\$ 8,565,435	\$ 7,520,848	\$ -	\$ -	\$ 8,565,435	\$ 7,520,848
Judicial services	1,886,421	1,785,454	-	-	1,886,421	1,785,454
Public safety	9,420,466	8,086,218	-	-	9,420,466	8,086,218
Health and welfare	5,222,929	3,168,734	-	-	5,222,929	3,168,734
Highways and streets	3,624,861	3,480,735	-	-	3,624,861	3,480,735
Culture and recreation	2,268,503	2,165,960	-	-	2,268,503	2,165,960
Interest on long-term debt	1,010,485	862,699	-	-	1,010,485	862,699
Rock quarry	-	-	1,822,609	1,606,958	1,822,609	1,606,958
Solid waste	-	-	3,940,812	5,946,426	3,940,812	5,946,426
Total expenses	\$ 31,999,100	\$ 27,070,648	\$ 5,763,421	\$ 7,553,384	\$ 37,762,521	\$ 34,624,032
Increase in net assets before transfers	\$ 963,909	\$ 6,883,135	\$ (1,937,581)	\$ (4,026,701)	\$ (973,672)	\$ 2,856,434
Transfers	(1,799,274)	(1,850,346)	1,799,274	1,850,346	-	-
Increase (decrease) in net assets	\$ (835,365)	\$ 5,032,789	\$ (138,307)	\$ (2,176,355)	\$ (973,672)	\$ 2,856,434
Net assets, beginning (restated)	30,654,714	25,621,926	16,176,800	18,353,155	46,831,514	43,975,081
Prior period adjustment	2,572,824	-	97,249	-	2,670,073	-
Net assets ending	\$ 32,392,173	\$ 30,654,715	\$ 16,135,742	\$ 16,176,800	\$ 48,527,915	\$ 46,831,515

Governmental Activities

Governmental activities decreased the County's net assets by \$835,365, thereby accounting for 85.8% of the total reduction in the net assets of Oconee County. The reduction resulted from the booking of depreciation during this fiscal year when this was previously booked only on the business-type activities.

Business-type Activities

While there was an increase in the Rock Quarry Enterprise Fund, the overall business-type activities decreased Oconee County's net assets by \$138,307, accounting for 14.2% of the total reduction in the government's net assets. Key elements of this change are as follows:

- Increase in capital assets, net of accumulated depreciation (Rock Quarry),
- Reduced operating costs in administration (Rock Quarry),
- Increase in production of stone at the Rock Quarry facility, and
- Solid Waste is operated as an enterprise fund but is not financially self-supportive.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Oconee County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$7,910,410, while total fund balance reached \$10,246,340. 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 26.5% of total General Fund expenditures, while total fund balance represents 34.3% of that same amount.

At June 30, 2003, the governmental funds of the County reported a combined fund balance of \$22,011,130, a 14.4% decrease from last year. The primary reason for this decrease is that the County used funding out of the fund balance designated for capital projects to reduce the need for new debt issuance.

General Fund Budgetary Highlights

The 2002-2003 budget was revised once during the fiscal year. Total amendments to the General Fund increased revenues by \$113,269, or 0.4%.

Due to the fact that collections for debt service are budgeted in the local fund for budgetary purposes and are shown in a separate fund for clarity during the audit, the actual operating revenues of the General Fund are reflected as less than final budgeted amounts by \$1,593,400. Actual operating expenditures were less than budgeted amounts by \$1,466,964.

Proprietary Funds

Oconee County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year amounted to \$5,742,648. Unrestricted net assets of the Rock Crusher Fund at the end of the fiscal year amounted to \$1,635,095. Other factors concerning the finances of these funds have already been addressed in the discussion of Oconee County's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Oconee County's investment in capital assets for its governmental and business-type activities as of June 30, 2003, totals \$42,434,763 (net of accumulated depreciation). These assets include buildings, land, equipment and vehicles, park facilities, and infrastructure such as roads.

Major capital asset transactions during the year include:

- Purchase of a new helicopter and fourteen vehicles for the Sheriff's Department.
- Purchase of eight pumper fire trucks for use by the Rural Fire Department and an aerial platform fire truck for use by the Walhalla Fire Department.
- Completion of the new Courthouse facility.
- Addition of construction in progress on Phase I of the Emergency Services facility, Commerce Center on Highway 11, Burn Building for Rural Fire, continued construction Airport improvements, renovations at the Heritage Center Museum, and a gazebo at South Cove Park.
- Acquisition of land for Chau Ram Park and additional land for the Airport.
- Addition of several new roads within the County.
- Purchase of gas/oil tanks and compactors for Solid Waste.
- Addition of construction in progress on manned convenience center #11 for Solid Waste, and
- Purchase of a new excavator with hydraulic hammer and welder for Rock Quarry.

**Oconee County's Capital Assets
Figure 4**

	Governmental Activities		Business-Type Activities		Total
	2003	2002	2003	2002	2003
Land	\$ 2,667,009	\$ 1,333,038	\$ 4,000,047		
Building and Improvements	17,084,094	3,957,996	21,042,090		
Infrastructure Land Rights	295,076		295,076		
Construction in Progress	1,554,101	163,181	1,717,282		
Construction in Progress - Infrastructure	1,040,962		1,040,962		
Equipment and Vehicles	9,569,580	3,303,784	12,873,364		
Infrastructure - Roads	1,465,942		1,465,942		
Total	\$ 33,676,764	\$ 8,757,999	\$ 42,434,763		

The above capital assets listed in figure 4 are net of net of accumulated depreciation. Additional information on the County's capital assets can be found in note 2-C of the Basic Financial Statements.

Long-term Debt

As of June 30, 2003, Oconee County had total bonded debt outstanding of \$19,446,127, all of which is debt backed by the full faith and credit of the County.

**Oconee County's Outstanding Debt
General Obligation Bonds
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation debt	\$ 19,446,127	\$ 15,962,884	\$ -	\$ -	\$ 19,446,127	\$ 15,962,884

Oconee County's total debt increased by \$5,422,393 (32.0%) during the past fiscal year due to the issuance of a \$5,000,000 general obligation bond for the purposes of construction of Phase I of the Emergency Services Facility and the acquisition of nine fire trucks with two capital leases in the amount of \$2,677,015.

As mentioned in the financial highlights section of this document, Oconee County maintained for the 2nd consecutive year, its A1 bond rating from Moody's Investor Service and A+ rating from Standard and Poor's Corporation. This bond rating is a clear indication of the continued sound financial condition of Oconee County and a primary factor in keeping interest costs low on the County's outstanding debt.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Oconee County is \$8,797,006. The County has no bonds authorized, but un-issued at June 30, 2003.

Additional information regarding Oconee County's long-term debt can be found in note 2-F on pages 30-33 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following key economic indicators reflect the growth and prosperity of the County.

- Retail sales for Oconee County in 2003 were \$522 million, an increase of 6.08% from the previous year.
- The U.S. Census Bureau ranks Oconee County as the 9th fastest growing county among South Carolina's 46 counties during the last decade. Oconee County is the Upstate Region's fastest growing county with a rate of 1.5%.
- At \$24,783 per capita income for the year 2000, Oconee County ranks 10th among South Carolina's 46 counties.
- The County's tax rate is .350/\$100, which at 205 mills is below the South Carolina state average of 255 mills.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2004

Governmental Activities

Property taxes are estimated to increase by 4% for fiscal year 2004 with revenues from permits and fees increasing by approximately 4%. The County will use these increases in revenues to finance existing programs.

Budgeted total expenditures are expected to decrease by \$1,498,443, or 4%. Decreases are attributed to the reductions in all areas of operation and will offset the increases in salaries and benefits and building maintenance and utilities.

Limited capital expenditures include funding for a barn building for Rural Fire, IT upgrades and equipment, updating the 911 system, renovation of buildings for Road Department and Rural Fire operations, permanent offices for Probate Court and equipment, vehicles for the Sheriff's department and construction of a new facility for Oconee County's Department of Social Services.

Finally, the 2004 budget includes the funding of \$2.6 million for State Aid to Subdivisions; however, if the County were to lose this funding or the funding were to be reduced, County budget reductions of 7.2% countywide from public safety to streets and highways to general governmental programs would be needed to offset the loss.

Business-type Activities

This budget includes an increase in salaries for a part-time Recycling Coordinator / Assistant Solid Waste Director. The Rock Quarry anticipates an increase of 25% to 30% in County usage of gravel. The new plant is expected to reduce the overtime in this department as a result of more efficient production. The

2002 operating revenues were \$2,668,112 and the 2003 operating revenues were \$2,917,458, reflecting an increase of 9.4%. The 2004 budgeted operating revenues are estimated at \$3,220,100, which is an increase of 10.4%. No capital expenditures are expected for the 2004 budget year.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Director of Administrative Services and Finance
Oconee County Finance Department
415 South Pine Street
Walhalla, South Carolina 29691.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

Oconee County, South Carolina
Statement of Net Assets
June 30, 2003

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Oconee County Sewer Commission	School District of Oconee County
Assets					
Cash and Other Cash Deposits	\$ 15,710,350	\$ 12,410,194	\$ 28,120,544	\$ 562,539	\$ 1,140,030
Investments	-	-	-	-	6,434,257
Accounts Receivable	1,780,997	10,601	1,791,598	243,268	8,034,682
Property Taxes Receivable	105,566	-	105,566	-	178,690
Accrued Interest Receivable	47,748	15,731	63,479	14,454	-
Receivable From Agency Funds	22,661	-	22,661	-	36,178
Inventories	168,046	318,266	486,312	38,684	198,958
Prepaid Expenses	-	-	-	-	162,107
Restricted Assets:					
Cash and Other Cash Deposits	6,794,467	-	6,794,467	3,903,243	-
Investments	-	-	-	659,759	-
Bond Issue Cost, Net	26,145	-	26,145	-	-
Capital Assets:					
Non-Depreciable	5,557,148	1,496,219	7,053,367	592,537	9,486,527
Depreciable	41,781,314	13,801,651	55,582,965	28,518,206	113,726,208
Less Accumulated Depreciation	(13,661,698)	(6,539,871)	(20,201,569)	(11,421,143)	(44,028,299)
Total Assets	58,332,744	21,512,791	79,845,535	\$ 23,111,547	\$ 95,369,338
Liabilities					
Accounts Payable	1,747,941	6,773	1,754,714	61,868	2,159,071
Accrued Salaries	-	-	-	25,921	28,501
Employee Benefits Withheld and Accrued	502,554	-	502,554	5,996	916,868
Accrued Interest Payable	440,469	-	440,469	20,864	864,157
Payable to Agency Funds	235,127	-	235,127	-	-
Deferred Revenue - Unearned	71,573	2,365	73,938	-	293,700
Customer Deposits	-	21,874	21,874	-	-
Unamortized Bond Premium	2,444	-	2,444	-	-
Non-Current Liabilities:					
Due Within One Year:					
Compensated Absences	57,487	10,890	68,377	5,339	503,706
Loans and Capital Leases Payable	752,871	-	752,871	365,347	116,663
Bonds Payable	2,108,488	-	2,108,488	-	3,275,000
Postclosure Care Costs	-	701,650	701,650	-	-
Due in More Than One Year:					
Compensated Absences	517,385	98,007	615,392	12,457	3,911,462
Loans and Capital Leases Payable	2,166,593	-	2,166,593	5,525,745	-
Bonds Payable	17,337,639	-	17,337,639	-	39,685,000
Postclosure Care Costs	-	4,535,490	4,535,490	-	-
Total Liabilities	25,940,571	5,377,049	31,317,620	6,023,537	51,754,128
Net Assets					
Invested in Capital Assets, Net of Related Debt	24,052,990	8,757,999	32,810,989	11,798,508	39,570,917
Restricted For:					
Capital Projects	32,142	-	32,142	3,898,464	3,346,481
Debt Service	3,433,155	-	3,433,155	643,673	4,344,707
Judicial Services	320,859	-	320,859	-	-
Public Safety	113,211	-	113,211	-	-
Culture and Recreation	63,744	-	63,744	-	-
Other Purposes	128,729	-	128,729	-	329,010
Unrestricted	4,247,343	7,377,743	11,625,086	747,365	(3,975,905)
Total Net Assets	\$ 32,392,173	\$ 16,135,742	\$ 48,527,915	\$ 17,088,010	\$ 43,615,210

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

Oconee County, South Carolina
Statement of Activities
For the Year Ended June 30, 2003

Function/Program Activities	Program Revenues					Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Oconee County Sewer Commission	School District of Oconee County
Primary Government:									
Governmental Activities:									
General Government	\$ 8,565,435	\$ 1,615,153	\$ 111,143	\$ 135,123	\$ (6,704,016)	\$ -	\$ (6,704,016)	\$ -	\$ -
Judicial Services	1,886,421	996,250	105,535	-	(784,636)	-	(784,636)	-	-
Public Safety	9,420,466	136,472	547,604	32,190	(8,704,200)	-	(8,704,200)	-	-
Health and Welfare	5,222,929	18,711	167,224	35,200	(5,001,794)	-	(5,001,794)	-	-
Highways and Streets	3,624,861	-	297,992	1,387,303	(1,939,566)	-	(1,939,566)	-	-
Culture and Recreation	2,268,503	295,930	115,375	175,298	(1,681,900)	-	(1,681,900)	-	-
Interest on Long-Term Debt	1,010,485	-	-	-	(1,010,485)	-	(1,010,485)	-	-
Total Governmental Activities	31,999,100	3,062,516	1,344,873	1,765,114	(25,826,597)	-	(25,826,597)	-	-
Business - Type Activities:									
Rock Crusher	1,822,609	2,917,458	-	-	-	1,094,849	1,094,849	-	-
Solid Waste Commission	3,940,812	774,774	25,058	-	-	(3,140,980)	(3,140,980)	-	-
Total Business - Type Activities	5,763,421	3,692,232	25,058	-	-	(2,046,131)	(2,046,131)	-	-
Total Primary Government	\$37,762,521	\$ 6,754,748	\$ 1,369,931	\$ 1,765,114	(25,826,597)	(2,046,131)	(27,872,728)	-	-
Component Units:									
Oconee County Sewer Commission	\$ 2,617,533	\$ 2,618,855	\$ -	\$ -	-	-	-	1,322	-
School District of Oconee County	87,749,552	1,640,714	36,650,414	681,220	-	-	-	-	(48,777,204)
Total Component Units	\$90,367,085	\$ 4,259,569	\$ 36,650,414	\$ 681,220	-	-	-	1,322	(48,777,204)
General Revenues:									
Taxes:									
Property Taxes, Levied for General Purposes					21,322,657	-	21,322,657	-	42,921,148
Local and State Accommodation Taxes					216,021	-	216,021	-	-
Payments in Lieu of Taxes and Franchise Fees					758,995	-	758,995	-	-
Grants and Contributions not Restricted to Specific Programs					2,931,443	-	2,931,443	-	6,903,113
Interest Income					579,433	108,550	687,983	98,578	262,417
Miscellaneous					981,957	-	981,957	90,000	103,542
Capital Contributions					-	-	-	171,895	-
Interfund Transfers					(1,799,274)	1,799,274	-	-	-
Total General Revenues and Transfers					24,991,232	1,907,824	26,899,056	360,473	50,190,220
Change in Net Assets					(835,365)	(138,307)	(973,672)	361,795	1,413,016
Net Assets, Beginning (Restated)					30,654,714	16,176,800	46,831,514	16,726,215	42,202,194
Prior Period Adjustment					2,572,824	97,249	2,670,073	-	-
Net Assets, Ending					\$ 32,392,173	\$ 16,135,742	\$ 48,527,915	\$ 17,088,010	\$ 43,615,210

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

FUND FINANCIAL STATEMENTS

Oconee County, South Carolina
Balance Sheet
Governmental Funds
June 30, 2003

	General Fund	Debt Service Fund	EMS Facility Expansion	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Other Cash Deposits	\$ 10,855,337	\$ 3,823,837	\$ -	\$ 1,031,176	\$ 15,710,350
Restricted Assets - Cash and Other Cash Deposits	-	-	5,230,116	1,564,351	6,794,467
Accounts Receivable	1,316,471	285	-	464,241	1,780,997
Property Taxes Receivable	92,931	12,635	-	-	105,566
Accrued Interest Receivable	26,061	-	21,687	-	47,748
Receivable From Agency Funds	22,661	-	-	-	22,661
Interfund Balances	56,505	-	-	-	56,505
Inventories	168,046	-	-	-	168,046
Total Assets	\$ 12,538,012	\$ 3,836,757	\$ 5,251,803	\$ 3,059,768	\$ 24,686,340
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 1,656,544	\$ -	\$ -18,529	\$ 72,868	\$ 1,747,941
Employee Benefits Withheld and Accrued	502,554	-	-	-	502,554
Deferred Revenue - Unavailable	9,273	-	-	52,237	61,510
Deferred Revenue - Unearned	4,291	-	-	67,282	71,573
Payable to Agency Funds	119,010	-	-	116,117	235,127
Interfund Balances	-	-	-	56,505	56,505
Total Liabilities	2,291,672	-	18,529	365,009	2,675,210
Fund Balances:					
Reserves For:					
Encumbrances	2,167,884	-	5,809,404	257,648	8,234,936
Inventories	168,046	-	-	-	168,046
Unreserved in General Fund:					
Designated for Subsequent Year's Expenditures	3,756,076	-	-	-	3,756,076
Designated for Capital Improvements	484,693	-	-	-	484,693
Designated for Health Insurance	539,222	-	-	-	539,222
Designated for Other Purposes	14,002	-	-	-	14,002
Undersigned	3,116,417	-	-	-	3,116,417
Unreserved Reported in:					
Special Revenue Funds	-	-	-	670,992	670,992
Debt Service Fund	-	3,836,757	-	-	3,836,757
Capital Project Funds	-	-	(576,130)	1,766,119	1,189,989
Total Fund Balances	10,246,340	3,836,757	5,233,274	2,694,759	22,011,130
Total Liabilities and Fund Balances	\$ 12,538,012	\$ 3,836,757	\$ 5,251,803	\$ 3,059,768	\$ 24,686,340

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

Oconee County, South Carolina
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2003

Fund Balances - Total Governmental Funds \$ 22,011,130

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

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

Governmental Capital Assets	\$ 47,338,462	
Less Accumulated Depreciation	<u>(13,661,698)</u>	33,676,764

Long-term liabilities including capital leases and bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds Payable	(19,446,127)	
Capital Leases Payable	(2,919,464)	
Compensated Absences	<u>(574,872)</u>	(22,940,463)

Interest payable on long-term debt is not accrued in governmental funds, but rather is recorded as an expenditure when due.

Accrued Interest Payable on Long-Term Debt		(440,469)
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Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.

Deferred Revenue - Unavailable		<u>61,510</u>
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Bond issue cost and bond premiums are subject to amortization in the entity-wide statements.

Bond issue cost	29,413	
Accumulated amortization	(3,268)	
Bond Premium	(2,750)	
Accumulated amortization	<u>306</u>	<u>23,701</u>

Net Assets of Governmental Activities		<u>\$ 32,392,173</u>
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Oconee County, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2003

	General Fund	Debt Service Fund	EMS Facility Expansion	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 18,765,008	\$ 2,557,649	\$ -	\$ -	\$ 21,322,657
Intergovernmental Revenues	4,940,180	-	-	1,679,283	6,619,463
Licenses, Permits and Fees	1,698,558	-	-	8,344	1,706,902
Fines and Forfeitures	412,660	-	-	132,815	545,475
County Airport	408,065	-	-	-	408,065
PRT Commission	255,405	-	-	-	255,405
Miscellaneous and Other	196,531	-	-	182,649	379,180
Payments in Lieu of Taxes and Franchise Fees	656,238	102,757	-	-	758,995
Interest Income	393,535	21,686	99,190	65,020	579,431
Total Revenues	27,726,180	2,682,092	99,190	2,068,111	32,575,573
Expenditures					
Current Operating:					
General Government	8,094,493	-	-	167,195	8,261,688
Judicial Services	1,689,887	-	-	121,969	1,811,856
Public Safety	7,660,081	-	-	826,858	8,486,939
Health and Welfare	1,066,311	-	-	4,114,681	5,180,992
Highways and Streets	3,276,007	-	-	-	3,276,007
Culture and Recreation	1,931,527	-	-	96,583	2,028,110
Capital Expenditures and Projects	5,271,325	-	507,555	4,662,524	10,441,404
Debt Service:					
Principal Retirement	737,865	1,516,758	-	-	2,254,623
Interest and Fiscal Charges	127,558	739,900	-	-	867,458
Bond Issue Cost	29,414	-	-	-	29,414
Total Expenditures	29,884,468	2,256,658	507,555	9,989,810	42,638,491
Excess (Deficiency) of Revenues					
Over Expenditures	(2,158,288)	425,434	(408,365)	(7,921,699)	(10,062,918)
Other Financing Sources and (Uses)					
Contributions - Infrastructure	467,847	-	-	-	467,847
Face Amount of Bonds and Capital Leases	2,677,015	-	5,000,000	-	7,677,015
Bond Premium	-	2,750	-	-	2,750
Interfund Transfers In	1,141,695	177,506	-	985,552	2,304,753
Interfund Transfers (Out)	(4,008,299)	(95,726)	-	(2)	(4,104,027)
Net Change in Fund Balances	(1,880,030)	509,964	4,591,635	(6,936,149)	(3,714,580)
Fund Balances, Beginning (Restated)	12,126,370	3,326,793	641,639	9,630,908	25,725,710
Fund Balances, Ending	\$ 10,246,340	\$ 3,836,757	\$ 5,233,274	\$ 2,694,759	\$ 22,011,130

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

Oconee County, South Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (3,714,580)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

Expenditures for Capital Assets	\$ 10,441,404	
Less Current Year Depreciation	<u>(1,851,469)</u>	8,589,935

Face amount of bonds and capital leases payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeds repayments.

Face amount of Bonds and Capital Leases	(7,677,015)	
Principal Payments	<u>2,254,623</u>	(5,422,392)

Amortization of bond issue cost and bond premiums:

Bond issue cost expended in governmental funds	29,414	
Bond issue cost amortized in statement of activities	(3,268)	
Bond premiums recorded in governmental funds	(2,750)	
Bond premiums amortized in statement of activities	<u>306</u>	23,702

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Deferred Revenue - Unavailable from Grants and State Appropriations at June 30, 2003	61,510	
Deferred Revenue - Unavailable from Grants and State Appropriations at June 30, 2002	<u>(141,921)</u>	(80,411)

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 governmental funds.

Change in Long-term Compensated Absences	(91,554)	
Changes in Accrued Interest on Bonds and Capital Leases Payable	<u>(140,065)</u>	(231,619)

Change in Net Assets of Governmental Activities \$ (835,365)

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

Oconee County, South Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Enterprise Funds		
	Rock Crusher	Solid Waste Commission	Total
Assets			
Current Assets:			
Cash and Other Cash Deposits	\$ 1,344,919	\$ 11,065,275	\$ 12,410,194
Accounts Receivable	3,679	6,922	10,601
Accrued Interest Receivable	1,312	14,419	15,731
Inventories	318,266	-	318,266
Total Current Assets	<u>1,668,176</u>	<u>11,086,616</u>	<u>12,754,792</u>
Non-Current Assets:			
Capital Assets:			
Land	557,825	775,213	1,333,038
Buildings and Improvements	44,483	5,207,458	5,251,941
Equipment and Vehicles	5,879,935	2,623,100	8,503,035
Other Assets	-	46,675	46,675
Construction in Progress	139,728	23,453	163,181
Less Accumulated Depreciation	(3,069,377)	(3,470,494)	(6,539,871)
Total Non-Current Assets	<u>3,552,594</u>	<u>5,205,405</u>	<u>8,757,999</u>
Total Assets	<u>5,220,770</u>	<u>16,292,021</u>	<u>21,512,791</u>
Liabilities			
Current Liabilities:			
Accounts Payable	-	6,773	6,773
Deferred Revenue-Unearned	-	2,365	2,365
Customer Deposits	-	21,874	21,874
Compensated Absences	3,308	7,582	10,890
Current Portion of Postclosure Care Costs	-	701,650	701,650
Total Current Liabilities	<u>3,308</u>	<u>740,244</u>	<u>743,552</u>
Non-Current Liabilities:			
Compensated Absences	29,773	68,234	98,007
Post Closure Care Costs after One Year	-	4,535,490	4,535,490
Total Non-Current Liabilities	<u>29,773</u>	<u>4,603,724</u>	<u>4,633,497</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,552,594	5,205,405	8,757,999
Unrestricted	1,635,095	5,742,648	7,377,743
Total Net Assets	<u>\$ 5,187,689</u>	<u>\$ 10,948,053</u>	<u>\$ 16,135,742</u>

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

Oconee County, South Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2003

	Enterprise Funds		
	Rock Crusher	Solid Waste Commission	Total
Operating Revenues			
Outside Customer Sales	\$ 2,372,994	\$ 747,071	\$ 3,120,065
Intragovernment Sales	544,364	-	544,364
Miscellaneous Fees	100	27,703	27,803
Operating Grants	-	25,058	25,058
Total Operating Revenues	<u>2,917,458</u>	<u>799,832</u>	<u>3,717,290</u>
Operating Expenses			
Salaries, Wages and Employee Benefits	732,224	1,514,123	2,246,347
Contractual Services, Materials, Supplies and Other Expenses	745,750	2,013,798	2,759,548
Depreciation Expense	344,635	412,891	757,526
Total Operating Expenses	<u>1,822,609</u>	<u>3,940,812</u>	<u>5,763,421</u>
Operating Income (Loss)	1,094,849	(3,140,980)	(2,046,131)
Non-Operating Revenues (Expenses)			
Interest Income	13,288	95,262	108,550
Income (Loss) before Contributions and Transfers	1,108,137	(3,045,718)	(1,937,581)
Interfund Transfers In	-	2,845,241	2,845,241
Interfund Transfers (Out)	(1,045,967)	-	(1,045,967)
Change in Net Assets	62,170	(200,477)	(138,307)
Net Assets, Beginning (Restated)	5,125,519	11,051,281	16,176,800
Prior Period Adjustment	-	97,249	97,249
Net Assets, Ending	<u>\$ 5,187,689</u>	<u>\$ 10,948,053</u>	<u>\$ 16,135,742</u>

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

Oconee County, South Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	Enterprise Funds		Total
	Rock Crusher	Solid Waste Commission	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operations:			
Receipts from Customers and Other Sources	\$ 2,913,779	\$ 828,178	\$ 3,741,957
Payments to Employees and Related Benefits	(726,180)	(1,491,003)	(2,217,183)
Payments to Suppliers	(709,976)	(1,739,471)	(2,449,447)
Net Cash Provided by (Used in.) Operating Activities	<u>1,477,623</u>	<u>(2,402,296)</u>	<u>(924,673)</u>
Cash Flows from Noncapital Financing Activities:			
Interfund Transfers In	-	2,845,241	2,845,241
Interfund Transfers (Out)	(1,042,592)	-	(1,042,592)
Net Cash Flows from Noncapital Financing Activities	<u>(1,042,592)</u>	<u>2,845,241</u>	<u>1,802,649</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(513,863)	(119,675)	(633,538)
Net Cash Flows from Capital and Related Financing Activities	<u>(513,863)</u>	<u>(119,675)</u>	<u>(633,538)</u>
Cash Flows from Investing Activities:			
Net (Purchases) Maturities of Certificates of Deposit	-	-	-
Interest on Investments	14,894	113,421	128,315
Net Cash Flows from Investing Activities	<u>14,894</u>	<u>113,421</u>	<u>128,315</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(63,938)</u>	<u>436,691</u>	<u>372,753</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,408,857</u>	<u>6,628,584</u>	<u>8,037,441</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,344,919</u>	<u>\$ 7,065,275</u>	<u>\$ 8,410,194</u>
Classified As:			
Current Assets	<u>\$ 1,344,919</u>	<u>\$ 7,065,275</u>	<u>\$ 8,410,194</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 1,094,849	\$ (3,140,980)	\$ (2,046,131)
Adjustments Not Affecting Cash:			
Depreciation	344,635	412,891	757,526
Postclosure Care Expense Accrual	-	24,237	24,237
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(3,679)	4,109	430
(Increase) Decrease in Interfund Balances	35,654	-	35,654
(Increase) Decrease in Inventories	120	-	120
Increase (Decrease) in Accounts Payable	-	(8,155)	(8,155)
Increase (Decrease) in Compensated Absences	6,044	23,120	29,164
Increase (Decrease) in Postclosure Care Costs Payable	-	282,482	282,482
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,477,623</u>	<u>\$ (2,402,296)</u>	<u>\$ (924,673)</u>
Supplemental Disclosures:			
Book Value of Capital Assets Transferred to Other Funds	<u>\$ 3,375</u>	<u>\$ -</u>	<u>\$ 3,375</u>

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

Oconee County, South Carolina
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2003

	Agency Funds
Assets	
Cash and Other Cash Deposits	\$ 5,611,101
Accounts Receivable	5,023
Accrued Interest Receivable	415
Property Taxes Receivable	181,691
Receivable from General Fund	235,127
Total Assets	\$ 6,033,357
Liabilities	
Due to Other Taxing Districts and Agencies	\$ 5,280,772
Payable to General Fund	22,661
Due to Others	729,924
Total Liabilities	\$ 6,033,357

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

NOTES TO FINANCIAL STATEMENTS

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

Note 1 - Summary of Significant Accounting Policies

Oconee County operates under a council-supervisor form of government. Beginning in January 2005, the County will operate under a council-administrator form. For financial statement reporting purposes, the County has divided its operations into the functions of general government, judicial services, public safety, health and welfare, highways and streets, and culture and recreation.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. This year the County has implemented the new reporting standards as required by GASB Statement 34.

A. Reporting Entity

In evaluating how to define the County, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The definition of a reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. Based upon the application of these criteria, the following is a brief review of the potential component units addressed in defining the government's reporting entity.

Included in the reporting entity:

Oconee County Sewer Commission

The County Council is financially accountable for the Commission in that they appoint the Commission members, review and approve budget requests and adjustments, and are ultimately responsible, absolutely and morally, for its fiscal condition. The financial statements of the Oconee County Sewer Commission are included in the County's statements. The Commission's financial statements for the year ended June 30, 2003 are available for public inspection at the Commission's business office.

The School District of Oconee County

The School District of Oconee County is fiscally dependent upon the County. It has a separately elected board and provides services generally within the geographic boundaries of the County. The County must approve the tax levy each year to fund the local property tax portion of the District's budget. It is audited annually by other auditors and a copy of its financial statements can be obtained from the District's office.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

Government-wide Statements: (continued)

charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. This 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.

Debt Service Fund. This fund accounts for the resources accumulated and payments made for principal and interest on the County's general obligation and special source revenue bonds.

EMS Facility Expansion Capital Project Fund. This fund accounts for the construction activity related to the emergency management services facility project.

The County reports the following major enterprise funds:

Rock Crusher. This fund accounts for the County's rock quarry operations.

Solid Waste Commission. This fund accounts for the activities related to the collection and disposal of the County's solid waste.

The County reports the following other fund type:

Agency Funds. These funds account for monies held on behalf of governments, organizations and individuals.

C. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end, except for property taxes which is considered available if collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Receivables

All accounts receivable and property tax receivables are shown net of an allowance for uncollectibles.

E. Budgetary Process

Council approves an annual budget by ordinance before the beginning of each fiscal year. The County follows this basic process:

- a. Prior to July 1, the County Supervisor submits to County Council a proposed budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at regular meetings of County Council.
- c. After three (3) readings before County Council, the budget ordinance is legally enacted.

The annual budget for the general fund is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The budgetary level of control for the budget is at the department level.

F. Inventories

General Fund. Parts inventory is reported at the weighted average method.

Enterprise Fund. The inventory at the Rock Crusher is priced on the actual cost of production method.

G. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

H. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated value at the date of donation. County infrastructure assets acquired prior to July 1, 2001 have not yet been reported. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Level</u>
Buildings and Improvements	15-40	\$ 25,000
Equipment and Vehicles	5-15	\$ 5,000
Road Infrastructure July 1, 2001 and after	25	All

I. Compensated Absences

The County accrues accumulated unpaid vacation when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

K. Cash Equivalents

For purposes of the statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

L. Use of Estimates

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

Note 2 -- Detail Notes -- All Funds

A. Deposit Collateralization

Deposits include demand deposits and certificates of deposit in financial institutions. The carrying amount was \$40,511,851 at June 30, 2003. The bank balance was \$41,199,093 at year-end. All bank balances were covered by federal depository insurance or by collateral held by the County's agent in the County's name.

B. Property Taxes

The County levies taxes on property values as determined by the County Assessor. Property taxes levied for the current year include 117.3 mills appropriated for the Oconee County School District's operations, 55.7 mills for general operations of the County and 1.8 mills for the Tri-County Technical College operations. In addition, 7.1 mills, 14.6 mills, and .5 mills are for the repayment of general obligation bonds of Oconee County, Oconee County School District, and Tri-County Technical College, respectively. Oconee County acts as a collection agent for the school district's portion of the tax.

The taxes are levied on September 30 of each year and are payable by January 15. Taxes are delinquent after January 15 and are subject to the following penalties depending upon the collection date:

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

Property Taxes (continued)

<u>Collection Date</u>	<u>Penalty</u>
After January 15th	3% of tax
After February 1st	Additional 10% of tax
After March 16th	Additional 5% of tax plus a \$2.00 collection cost

Unpaid delinquent taxes collected within sixty (60) days after June 30, 2003 are reflected as receivables on the accompanying statement of net assets in the amount of \$287,257 (County operations \$92,931, County debt service \$12,635, School operations/debt service \$178,691, and Tri-County Technical operations \$3,000.)

Duke Energy provides a major source of property tax revenues. During the year ended June 30, 2003, the company paid property taxes in the amount of \$22.6 million based on assessed property value of \$118.1 million. This represents approximately 31% of the total 2002 levy. Approximately \$15.9 million of the amount collected was appropriated for the School District of Oconee County and Tri-County Technical College.

C. Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

	<u>Primary Government</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 2,354,559	\$ 312,450	\$ -	\$ 2,667,009
Infrastructure Land Rights	188,572	106,504	-	295,076
Construction in Progress	5,272,042	4,758,505	(8,476,446)	1,554,101
Construction in Progress - Infrastructure	351,359	689,603	-	1,040,962
Total Capital Assets not being Depreciated	<u>8,166,532</u>	<u>5,867,062</u>	<u>(8,476,446)</u>	<u>5,557,148</u>
Capital Assets being Depreciated:				
Buildings and Improvements	12,692,150	8,683,740	-	21,375,890
Equipment and Vehicles	15,614,412	3,838,923	(582,862)	18,870,473
Infrastructure - Roads	990,627	544,324	-	1,534,951
Total Capital Assets being Depreciated	<u>29,297,189</u>	<u>13,066,987</u>	<u>(582,862)</u>	<u>41,781,314</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,895,417)	(396,379)	-	(4,291,796)
Equipment and Vehicles	(8,475,282)	(1,408,473)	582,862	(9,300,893)
Infrastructure - Roads	(22,392)	(46,617)	-	(69,009)
Total Accumulated Depreciation	<u>(12,393,091)</u>	<u>(1,851,469)</u>	<u>582,862</u>	<u>(13,661,698)</u>
Total Capital Assets being Depreciated, Net	<u>16,904,098</u>	<u>11,215,518</u>	<u>-</u>	<u>28,119,616</u>
Governmental Activities Capital Assets, Net	<u>\$25,070,630</u>	<u>\$17,082,580</u>	<u>\$ (8,476,446)</u>	<u>\$ 33,676,764</u>

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

Capital Assets (continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,333,038	\$ -	\$ -	\$ 1,333,038
Construction in Progress	67,918	95,263	-	163,181
Total Capital Assets not being Depreciated	1,400,956	95,263	-	1,496,219
Capital Assets being Depreciated:				
Buildings and Improvements	5,181,587	70,354	-	5,251,941
Equipment and Vehicles	7,764,993	906,283	(168,241)	8,503,035
Other Assets	46,675	-	-	46,675
Total Capital Assets being Depreciated	12,993,255	976,637	(168,241)	13,801,651
Less Accumulated Depreciation for:				
Buildings	(1,086,558)	(207,387)	-	(1,293,945)
Equipment and Vehicles	(4,817,867)	(546,250)	164,866	(5,199,251)
Other Assets	(42,786)	(3,889)	-	(46,675)
Total Accumulated Depreciation	(5,947,211)	(757,526)	164,866	(6,539,871)
Total Capital Assets being Depreciated, Net	7,046,044	219,111	(3,375)	7,261,780
Business-Type Activities Capital Assets, Net	\$ 8,447,000	\$ 314,374	\$ (3,375)	\$ 8,757,999

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 279,622
Judicial Services	68,301
Public Safety	879,036
Health and Welfare	41,666
Highways and Streets	340,910
Culture and Recreation	241,934
Total Depreciation Expenses	\$ 1,851,469

D. Self Insured Health Insurance

The County is self-insured for health and dental claims incurred by employees and/or their dependents and retirees, if they are enrolled in the plan. The plan establishes a "Stop Loss" of \$120,000 per person per contract year with a maximum cost to the County of \$3,874,374 for the year ended June 30, 2003. At year-end incurred but unpaid claims equal approximately \$364,629 and are recorded as a liability and expenditure within the general fund.

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

E. Retirement Plans

Oconee County contributes to the South Carolina Retirement System (SCRS) and to the Police Officers Retirement System (PORS), cost-sharing multiple-employer defined benefit pension plans administered by the State Budget and Control Board of South Carolina. SCRS and PORS provide retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefit provisions are established under the authority of Title 9 of the SC Code of Laws. The SCRS and PORS issue a publicly available financial report that includes financial statements and required supplementary information for the retirement systems. These reports may be obtained by writing to South Carolina Retirement System, Post Office Box 11960, Capitol Station, Columbia, South Carolina 29211-1960.

SCRS and PORS members are required to contribute 6.00% and 6.50% respectively of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rates for SCRS and PORS are 6.85% and 10.70% respectively of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the SCRS and PORS. The County's contributions to SCRS and PORS for the years ended June 30, 2003, 2002, 2001 were as follows:

	<u>SCRS</u>	<u>PORS</u>
2003	\$ 639,548	\$ 368,706
2002	\$ 577,826	\$ 328,364
2001	\$ 572,915	\$ 288,915

The above contributions are equal to the required contributions for each year.

F. Long-Term Obligations

Revenue bonds and other long-term liabilities directly related to and intended to be paid from proprietary funds of the primary government are included in the accounts of such funds. All other long-term indebtedness of the primary government is accounted for in the governmental column of the government-wide statement of net assets.

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

Long-Term Obligations (continued)

Summarized below are the County's individual bond and capital lease issues which are outstanding at June 30, 2003:

	<u>Purpose of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maximum Annual Debt Service</u>
Governmental Activities:					
General Obligation Bonds, Series 1993	Finance Landfill Projects	\$ 7,200,000	\$ 890,000	4.00 - 6.00%	\$ 910,470
General Obligation Bonds, Series 1996	Finance County Portion of Tri-County Tech Obligation	2,800,000	1,765,000	4.65 - 6.60%	284,580
General Obligation Bonds, Series 2000	Finance Construction of Lila Doyle Expansion	4,115,000	3,820,000	4.50 - 6.50%	389,500
General Obligation Bonds, Series 2001	Finance Construction of New Court House	8,000,000	7,740,000	4.470%	746,316
General Obligation Bonds, Series 2002	Finance Construction of EMS Facility	5,000,000	5,000,000	3.20 - 3.80%	748,935
Special Source Revenue Bond, Series 1996	Finance Borg-Warner Capital Expansion	629,887	231,127	8.610%	134,940
Capital Lease Payable	Acquire Fire Trucks	1,183,710	753,786	4.858%	275,756
Capital Lease Payable	Acquire Fire Trucks	2,154,090	1,752,840	3.590%	478,152
Capital Lease Payable	Acquire Fire Truck	522,925	412,838	3.169%	111,514
Total Governmental Activities		<u>\$ 31,605,612</u>	<u>\$ 22,365,591</u>		

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

Long-Term Obligations (continued)

Long-term activity for the year ended June 30, 2003 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds and Capital Leases Payable:					
General Obligation and Other Bonds	\$ 15,962,884	\$ 5,000,000	\$(1,516,757)	\$ 19,446,127	\$ 2,108,488
Capital Leases Payable	980,314	2,677,015	(737,865)	2,919,464	752,871
Total Bonds and Capital Leases Payable	16,943,198	7,677,015	(2,254,622)	22,365,591	2,861,359
Other Liabilities - Compensated Absences	483,318	93,096	(1,542)	574,872	57,487
Governmental Activities Long-term Liabilities	\$ 17,426,516	\$ 7,770,111	\$(2,256,164)	\$ 22,940,463	\$ 2,918,846
Business - Type Activities:					
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bonds Payable	-	-	-	-	-
Other Liabilities:					
Compensated Absences	79,733	29,164	-	108,897	10,890
Postclosure Care Costs	4,954,658	282,482	-	5,237,140	701,650
Total Other Liabilities	5,034,391	311,646	-	5,346,037	712,540
Business-Type Activities Long-term Liabilities	\$ 5,034,391	\$ 311,646	\$ -	\$ 5,346,037	\$ 712,540

The County's general and debt service funds are used to liquidate the governmental activities long-term liabilities. Debt service requirements in future years for bonds and capital leases payable are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	Principal	Interest	Total	Principal	Interest	Total	
2004	\$ 2,861,359	\$ 1,070,147	\$ 3,931,506	\$ -	\$ -	\$ -	\$ 3,931,506
2005	2,063,763	835,298	2,899,061	-	-	-	2,899,061
2006	2,170,417	745,990	2,916,407	-	-	-	2,916,407
2007	1,990,052	650,734	2,640,786	-	-	-	2,640,786
2008	1,435,000	565,149	2,000,149	-	-	-	2,000,149
2009-2013	7,155,000	1,866,306	9,021,306	-	-	-	9,021,306
2014-2018	4,690,000	528,397	5,218,397	-	-	-	5,218,397
Total	\$ 22,365,591	\$ 6,262,021	\$ 28,627,612	\$ -	\$ -	\$ -	\$ 28,627,612

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

Long-Term Obligations (continued)

The maximum debt ceiling allowed by state law (South Carolina Constitution Article X, section 14, effective November 30, 1977) is 8% of the assessed value of all taxable property within Oconee County. The County's debt limit and debt margin is as follows:

Assessed Property Valuation	\$ 350,150,080
Debt Limit - Eight Percent of Assessed Value	28,012,006
County Bonds Outstanding June 30, 2003, Issued Subsequent to November 30, 1977	19,215,000
Legal Debt Margin	\$ 8,797,006

G. Interfund Balances and Activity

The following schedule represents interfund receivables and payables at June 30, 2003:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
By Major Fund:		
General	\$ 56,505	\$ -
Other Governmental:		
DARE Special Revenue Fund	-	1,257
HMEP Special Revenue Fund	-	5,932
Community Emergency Response Training Grant Special Revenue Fund	-	1,208
Citizens Corps Grant Special Revenue Fund	-	63
Emergency Management Performance Grants Special Revenue Fund	-	887
Airport Improvement Program #3-45-0016-11 Capital Project Fund	-	47,158
Total Primary Government:	\$ 56,505	\$ 56,505

All of the above amounts will be liquidated within one year and represent short-term loans from the general fund to provide needed cash flow to the various funds.

**Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003**

Interfund Balances and Activity (continued)

Transfers to/from other funds for the year ended June 30, 2003 consisted of the following:

\$ 1,045,967	From the rock crusher enterprise fund to the general fund to transfer a portion of the annual profits.
2,845,241	From the general fund to the solid waste commission enterprise fund to fund current year operational expenses.
4,318	From the general fund to the LLEBGP2002 LBBX1621 special revenue fund to provide the County match portion for a federal grant.
7,543	From the general fund to the AIP#3-45-0016-11 capital project fund to provide the County match portion for a federal grant.
390,000	From the general fund to the communications center capital project fund to provide resources for construction and equipment.
333,691	From the general fund to the economic development infrastructure capital project fund to fund future infrastructure needs.
250,000	From the general fund to the rural fire burn building capital project fund to provide needed resources to construct a burn building.
81,780	From the general fund to the debt service fund to provide adequate resources for debt retirement.
<u>\$ 4,958,540</u>	Total

H. Contingent Liabilities

The County participates in a number of federal and state assisted grant programs. These programs are subject to compliance audits by grantors or their representatives. The audits of these programs for or including the year ended June 30, 2003 have not yet been conducted; therefore, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Also, the County participates in an intergovernmental agreement whereby it is liable for any operational deficits for the Newry sewer system. At year-end, the County believes any resulting liability to be immaterial.

I. Closure and Postclosure Care Cost

Oconee County assumed operation of the landfill from the City of Seneca in 1977. The landfill's operations were accounted for in the general fund until June 30, 1993. Since then, the operations have been accounted for in an enterprise fund. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In June 1998, the County closed its landfill. The liability recorded for postclosure care costs total \$5,237,140 at year-end. Of this amount, \$4,676,114 relates to the Seneca landfill and \$561,026 relates to the Five Forks landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2003. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

J. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for all these risks. Settled claims resulting from these risks have not exceeded the insurance coverage limits in any of the past three fiscal years.

K. Post-Employment Health Care Benefits

The County provides group health and dental care benefits for retirees per the requirements of a local ordinance. The County pays 100% of the premium for employees who have worked for the County for twenty-eight consecutive years and a reduced percentage for employees who have been employed by the County at least ten years. Retirees may, at their option, pay the cost of dependent coverage. The County's regular health and dental care benefit providers underwrite the retirees' policies.

Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. This plan is funded on a pay-as-you-go basis. As of June 30, 2003 there were fifty-five retirees who were covered under the County's group insurance plans and the total cost of retiree health and dental benefits was \$89,706 for the fiscal year.

L. Reconciliation of Cash and Cash Equivalents

The following schedule reconciles the differences between cash and the certificates of deposit in the statement of net assets and ending cash and cash equivalents as stated in the statement of cash flows:

Cash and Other Cash Deposits	\$ 12,410,194
Less Certificates of Deposit that are not a Cash Equivalent	<u>(4,000,000)</u>
Cash and Cash Equivalents per Statement of Cash Flows	<u>\$ 8,410,194</u>

M. Prior Period Adjustment

During the year, the County made a prior period adjustment to record equipment that had been omitted from governmental and proprietary fund fixed assets. The net book value increase for governmental funds totaled \$2,572,824 and \$97,249 for proprietary funds.

N. Changes in Accounting Principles

For fiscal year 02-03, the County has implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, Omnibus an amendment to GASB Statement 27 and 34*, and GASB Statement 38, *Certain Financial Statement Note Disclosures*. Under the new GASB 34 reporting model the following information will be included:

- a. Management's discussion and analysis (MD&A) as required supplementary information
- b. Basic financial statements (government-wide financial statements, fund financial statements, and notes to the financial statements)
- c. Required supplementary information other than MD&A

Oconee County, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2003

Changes in Accounting Principles (continued)

The differences in the balances and amounts between the new government-wide financial statements and the fund financial statements are included in reconciliation statements in the basic financial statements. The County determined its June 30, 2003 net asset balance by converting its June 30, 2003 balance sheet accounted for on a modified accrual basis to a balance sheet accounted for on a full accrual basis of accounting. The types of adjustments necessary to complete the conversion are the same as those described in the reconciliations in the basic financial statements.

O. Council Members and Elected Officials

The following individuals are the Council members of the County Council:

	<u>District</u>	<u>Expiration of Term</u>
Harry R. Hamilton, Supervisor	At Large	December 31, 2004
Steven R. Moore	1	December 31, 2007
Kenneth E. Johns, Jr.	2	December 31, 2004
William Rinehart	3	December 31, 2007
Marion E. Lyles	4	December 31, 2004
H. Frank Ables, Jr., Vice-Chairman	5	December 31, 2004

The following individuals are the elected officials of Oconee County:

	<u>Office</u>	<u>Expiration of Term</u>
Linda R. Nix	Auditor	June 30, 2005
Anne C. Dodd	Treasurer	December 31, 2004
Mona D. Towe	Tax Collector	December 31, 2003
Sally C. Smith	Clerk of Court	December 31, 2004
Sandra H. Burgess Orr	Probate Judge	June 30, 2005
Karl Addis	Coroner	December 31, 2004
James Singleton	Sheriff	December 31, 2004

**REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MD&A**

Oconee County, South Carolina
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property Taxes	\$ 21,670,190	\$21,670,190	\$ 18,765,008	\$ (2,905,182)
Intergovernmental Revenues	3,585,615	3,560,615	4,940,180	1,379,565
Licenses, Permits and Fees	1,310,921	1,644,190	1,698,558	54,368
Fines and Forfeitures	422,020	422,020	412,660	(9,360)
County Airport	367,776	367,776	408,065	40,289
PRT Commission	239,000	309,000	255,405	(53,595)
Miscellaneous and Other	164,789	144,789	196,531	51,742
Payments in Lieu of Taxes and Franchise Fees	695,000	720,000	656,238	(63,762)
Interest Income	751,000	481,000	393,535	(87,465)
Total Revenues	<u>29,206,311</u>	<u>29,319,580</u>	<u>27,726,180</u>	<u>(1,593,400)</u>
Expenditures				
Current Operating:				
General Government:				
Boards and Commissions	12,700	12,764	7,489	5,275
Building Codes	377,885	418,141	401,922	16,219
Pine Street Complex and Other Expenditures	324,366	234,128	211,326	22,802
County Council	189,180	208,451	177,809	30,642
County Grants	483,158	476,958	476,947	11
Delegation	43,264	47,340	50,456	(3,116)
Economic Development	151,627	180,125	170,365	9,760
Finance Department	327,178	360,690	361,339	(649)
Other Administrative Expenditures	3,820,146	2,832,660	2,424,100	408,560
Human Resources	257,590	277,679	251,702	25,977
Information Technology	243,638	254,336	242,990	11,346
Planning Commission	108,606	118,332	113,960	4,372
Procurement	191,177	210,400	205,565	4,835
Building Maintenance	118,417	128,543	102,790	25,753
Registration and Elections	111,196	119,219	108,161	11,058
Soil and Water Conservation	38,643	48,761	48,599	162
Supervisor's Office	209,114	216,836	183,206	33,630
County Airport	540,948	551,514	488,978	62,536
Vehicle Maintenance	145,430	153,827	117,751	36,076
Environmental Services	203,269	225,514	211,783	13,731
Register of Deeds	286,066	341,619	336,089	5,530
Assessor	552,889	613,254	586,484	26,770
Auditor	251,170	281,178	267,156	14,022
Board of Assessment Appeals	12,228	12,228	3,119	9,109
Computer Tax Center	121,596	154,983	110,779	44,204
Tax Collector	177,972	199,716	183,643	16,073
Treasurer	237,610	257,568	249,985	7,583
Judicial Services:				
Clerk of Court	489,504	512,658	490,612	22,046
Probate Judge	265,732	285,855	276,976	8,879
Solicitor	268,388	293,029	236,913	56,116
Walhalla Magistrate	215,516	240,011	231,222	8,789
Seneca Magistrate	192,412	206,890	187,729	19,161
Westminster Magistrate	99,465	104,546	56,058	48,488
Circuit Judge	11,000	11,000	10,191	809
County Grants	111,056	111,056	111,056	-
Building Maintenance	93,284	83,412	84,139	(727)
Vehicle Maintenance	6,487	6,637	4,991	1,646

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

Oconee County, South Carolina
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Safety:				
Sheriff's Department	3,706,751	4,060,308	3,654,416	405,892
Rural Fire Control	294,688	336,911	376,978	(40,067)
Coroner	103,042	106,672	107,506	(834)
Communications	701,832	899,291	832,412	66,879
Emergency Management	243,023	269,129	250,703	18,426
Law Enforcement Center	1,354,816	1,465,106	1,398,727	66,379
OLBC Computer Center	47,300	47,300	36,535	10,765
Juvenile Services	35,000	35,000	35,000	-
Probation Office	5,300	5,300	4,373	927
Animal Control	88,021	98,704	92,712	5,992
Rural Fire Insurance Fees	95,000	95,000	119,010	(24,010)
Other Expenditures	12,000	12,000	11,960	40
County Grants	254,000	154,000	150,000	4,000
Building Maintenance	27,291	28,608	21,773	6,835
Vehicle Maintenance	484,768	541,665	567,976	(26,311)
Health and Welfare:				
Charity Medical	370,521	370,521	370,881	(360)
Department of Social Services	10,883	10,883	9,166	1,717
Health Department	63,418	63,418	53,761	9,657
Veteran's Affairs	92,749	106,019	101,912	4,107
Mini-Bottle Appropriation	96,000	96,000	109,876	(13,876)
Other Expenditures	-	8,500	8,114	386
County Grants	321,515	327,985	327,985	-
Building Maintenance	98,681	100,208	80,538	19,670
Vehicle Maintenance	29,805	30,496	4,078	26,418
Highways and Streets:				
Road Department	1,877,837	4,133,933	2,183,972	1,949,961
General Gravel	300,000	300,000	544,364	(244,364)
Building Maintenance	13,414	14,061	11,598	2,463
Vehicle Maintenance	622,397	631,091	536,073	95,018
Culture and Recreation:				
Arts and Historical Commission	35,251	35,251	26,316	8,935
Parks, Recreation and Tourism	734,808	961,820	765,189	196,631
Library	922,290	955,917	935,830	20,087
County Grants	77,000	77,000	77,000	-
Building Maintenance	103,692	108,693	99,066	9,627
Vehicle Maintenance	46,811	47,897	28,126	19,771
Capital Expenditures	4,020,185	3,238,320	5,271,325	(2,033,005)
Debt Service:				
Principal Retirement	654,153	629,000	737,865	(108,865)
Internal and Fiscal Charges	100,000	128,153	127,558	595
Bond Issue Cost	-	29,414	29,414	-
Total Expenditures	<u>29,334,149</u>	<u>31,351,432</u>	<u>29,884,468</u>	<u>1,466,964</u>
Excess (Deficiency) of Revenues Over Expenditures	(127,838)	(2,031,852)	(2,158,288)	(126,436)
Other Financing Sources (Uses)				
Contributions - Infrastructure	-	-	467,847	467,847
Face Amount of Bonds and Capital Leases	-	-	2,677,015	2,677,015
Interfund Transfers In	1,212,661	1,212,661	1,141,695	(70,966)
Interfund Transfers (Out)	(2,845,241)	(3,362,786)	(4,008,299)	(645,513)
Net Change in Fund Balances	(1,760,418)	(4,181,977)	(1,880,030)	2,301,947
Fund Balances, Beginning (Restated)	<u>12,126,370</u>	<u>12,126,370</u>	<u>12,126,370</u>	<u>-</u>
Fund Balances, Ending	<u>10,365,952</u>	<u>7,944,393</u>	<u>10,246,340</u>	<u>2,301,947</u>

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

Oconee County, South Carolina
Notes to Required Supplemental Information
For the Year Ended June 30, 2003

Note 1 – Basis of Accounting

The County uses the modified accrual basis of accounting for its general fund which is in accordance with generally accepted accounting principles for this fund. The County adopts the annual budget for the general fund on this basis.

SUPPLEMENTAL INFORMATION

Oconee County, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and Other Cash Deposits	\$ 75,562	\$ 955,614	\$ 1,031,176
Restricted Assets - Cash and Other Cash Deposits	734,977	829,374	1,564,351
Accounts Receivable	110,738	353,503	464,241
Interfund Balances	-	-	-
Total Assets	\$ 921,277	\$ 2,138,491	\$ 3,059,768
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 27,806	\$ 45,062	\$ 72,868
Payable to Agency Funds	116,117	-	116,117
Deferred Revenue - Unavailable	2,158	50,079	52,237
Deferred Revenue - Unearned	67,282	-	67,282
Interfund Balances	9,347	47,158	56,505
Total Liabilities	222,710	142,299	365,009
Fund Balances:			
Reserved for Encumbrances	27,575	230,073	257,648
Unreserved	670,992	1,766,119	2,437,111
Total Fund Balances	698,567	1,996,192	2,694,759
Total Liabilities and Fund Balances	\$ 921,277	\$ 2,138,491	\$ 3,059,768

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2003

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Intergovernmental Revenues	\$ 1,303,983	\$ 375,300	\$ 1,679,283
Licenses, Permits and Fees	8,344	-	8,344
Fines and Forfeitures	132,815	-	132,815
Miscellaneous and Other	182,649	-	182,649
Interest Income	1,020	64,000	65,020
Total Revenues	<u>1,628,811</u>	<u>439,300</u>	<u>2,068,111</u>
Expenditures			
Current Operating:			
General Government	74,429	92,766	167,195
Judicial Services	121,969	-	121,969
Public Safety	826,858	-	826,858
Health and Welfare	40,984	4,073,697	4,114,681
Culture and Recreation	96,583	-	96,583
Capital Expenditures and Projects	668,249	3,994,275	4,662,524
Total Expenditures	<u>1,829,072</u>	<u>8,160,738</u>	<u>9,989,810</u>
Excess (Deficiency) of Revenues Over Expenditures	(200,261)	(7,721,438)	(7,921,699)
Other Financing Sources and (Uses)			
Interfund Transfers In	4,318	981,234	985,552
Interfund Transfers (Out)	-	(2)	(2)
Net Change in Fund Balances	(195,943)	(6,740,206)	(6,936,149)
Fund Balances, Beginning (Restated)	<u>894,510</u>	<u>8,736,398</u>	<u>9,630,908</u>
Fund Balances, Ending	<u>\$ 698,567</u>	<u>\$ 1,996,192</u>	<u>\$ 2,694,759</u>

See independent auditors' report.

Oconee County, South Carolina
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	<u>Airport Donations</u>	<u>Library Donations</u>	<u>Duke Power Emergency Preparedness</u>	<u>Tourism ATAX 30%</u>	<u>Tourism ATAX 65%</u>	<u>Local Accommodation Tax</u>	<u>Clerk of Court</u>
Assets							
Cash and Other Cash Deposits	\$ 3,433	\$ 8,742	\$ 34,280	\$ -	\$ -	\$ -	\$ 12,782
Restricted Assets - Cash and Other Cash Deposits	-	-	-	-	726	4,977	-
Accounts Receivable	-	13	-	12,950	28,059	17,032	-
Interfund Balances	-	-	-	-	-	-	-
Total Assets	<u>\$ 3,433</u>	<u>\$ 8,755</u>	<u>\$ 34,280</u>	<u>\$ 12,950</u>	<u>\$ 28,785</u>	<u>\$ 22,009</u>	<u>\$ 12,782</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payable to Agency Funds	-	-	-	-	-	-	-
Deferred Revenue - Unavailable	-	-	-	-	-	-	-
Deferred Revenue - Unearned	-	-	-	-	-	-	-
Interfund Balances	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Reserved for Encumbrances	-	-	-	-	-	-	-
Unreserved	3,433	8,755	34,280	12,950	28,785	22,009	12,782
Total Fund Balances	<u>3,433</u>	<u>8,755</u>	<u>34,280</u>	<u>12,950</u>	<u>28,785</u>	<u>22,009</u>	<u>12,782</u>
Total Liabilities and Fund Balances	<u>\$ 3,433</u>	<u>\$ 8,755</u>	<u>\$ 34,280</u>	<u>\$ 12,950</u>	<u>\$ 28,785</u>	<u>\$ 22,009</u>	<u>\$ 12,782</u>

See independent auditors' report.

Oconee County, South Carolina
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Mapping System Grant	Sheriff DEA State Funds	Sheriff DEA Federal Funds	Duke Power 911 Equipment	Local Emergency Preparedness	Rescue Squad Banquet Donations	DARE Fund
Assets							
Cash and Other Cash Deposits	\$ -	\$ -	\$ -	\$ -	\$ 11,607	\$ 2,171	\$ -
Restricted Assets - Cash and Other Cash Deposits	1,938	206,293	4,361	6,575	-	-	-
Accounts Receivable	15,000	-	-	-	-	-	1,000
Interfund Balances	-	-	-	-	-	-	-
Total Assets	<u>\$ 16,938</u>	<u>\$ 206,293</u>	<u>\$ 4,361</u>	<u>\$ 6,575</u>	<u>\$ 11,607</u>	<u>\$ 2,171</u>	<u>\$ 1,000</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payable to Agency Funds	-	116,117	-	-	-	-	-
Deferred Revenue - Unavailable	-	-	-	-	-	-	-
Deferred Revenue - Unearned	-	-	-	-	-	-	-
Interfund Balances	-	-	-	-	-	-	1,257
Total Liabilities	<u>-</u>	<u>116,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,257</u>
Fund Balances:							
Reserved for Encumbrances	-	-	-	-	-	-	-
Unreserved	16,938	90,176	4,361	6,575	11,607	2,171	(257)
Total Fund Balances	<u>16,938</u>	<u>90,176</u>	<u>4,361</u>	<u>6,575</u>	<u>11,607</u>	<u>2,171</u>	<u>(257)</u>
Total Liabilities and Fund Balances	<u>\$ 16,938</u>	<u>\$ 206,293</u>	<u>\$ 4,361</u>	<u>\$ 6,575</u>	<u>\$ 11,607</u>	<u>\$ 2,171</u>	<u>\$ 1,000</u>

See independent auditors' report.

Oconee County, South Carolina
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2003

	Seneca Health Clinic	HMEP Planning Grant	Rescue Squad Equipment Donations	County Park Brochures	Industrial Park Development	Clerk of Court Victim's Assistance	Magistrate Victim's Assistance
Assets							
Cash and Other Cash Deposits	\$ -	\$ -	\$ 325	\$ 2,222	\$ -	\$ -	\$ -
Restricted Assets - Cash and Other Cash Deposits	11,791	-	-	-	100,000	68,780	250,198
Accounts Receivable	-	5,932	-	778	-	-	10
Interfund Balances	-	-	-	-	-	-	-
Total Assets	<u>\$ 11,791</u>	<u>\$ 5,932</u>	<u>\$ 325</u>	<u>\$ 3,000</u>	<u>\$ 100,000</u>	<u>\$ 68,780</u>	<u>\$ 250,208</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payable to Agency Funds	-	-	-	-	-	-	-
Deferred Revenue - Unavailable	-	-	-	-	-	-	-
Deferred Revenue - Unearned	-	-	-	-	-	-	-
Interfund Balances	-	5,932	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>5,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Reserved for Encumbrances	-	-	-	-	-	-	-
Unreserved	11,791	-	325	3,000	100,000	68,780	250,208
Total Fund Balances	<u>11,791</u>	<u>-</u>	<u>325</u>	<u>3,000</u>	<u>100,000</u>	<u>68,780</u>	<u>250,208</u>
Total Liabilities and Fund Balances	<u>\$ 11,791</u>	<u>\$ 5,932</u>	<u>\$ 325</u>	<u>\$ 3,000</u>	<u>\$ 100,000</u>	<u>\$ 68,780</u>	<u>\$ 250,208</u>

See independent auditors' report.

Oconee County, South Carolina
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2003

	U.S. District Court Community Fund	LLEBGP 2001 LBBX3746	LLEBGP 2000 LBBX1621	CDBG 3-P-01-001	Community Emergency Response Training Grant	Citizens Corps Grant	Emergency Management Revenue Funds	Total Nonmajor Special Revenue Funds
Assets								
Cash and Other Cash Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,562
Restricted Assets - Cash and Other Cash Deposits	1,871	34,062	43,405	-	-	-	-	734,977
Accounts Receivable	-	-	-	27,806	1,208	63	887	110,738
Interfund Balances	-	-	-	-	-	-	-	-
Total Assets	\$ 1,871	\$ 34,062	\$ 43,405	\$ 27,806	\$ 1,208	\$ 63	\$ 887	\$ 921,277
Liabilities and Fund Balances								
Liabilities:								
Accounts Payable	\$ -	\$ -	\$ -	\$ 27,806	\$ -	\$ -	\$ -	\$ 27,806
Payable to Agency Funds	-	-	-	-	-	-	-	116,117
Deferred Revenue - Unavailable	-	-	-	-	1,208	63	887	2,158
Deferred Revenue - Unearned	-	28,421	38,861	-	-	-	-	67,282
Interfund Balances	-	-	-	-	1,208	63	887	9,347
Total Liabilities	-	28,421	38,861	27,806	2,416	126	1,774	222,710
Fund Balances:								
Reserved for Encumbrances	-	27,575	-	-	-	-	-	27,575
Unreserved	1,871	(21,934)	4,544	-	(1,208)	(63)	(887)	670,992
Total Fund Balances	1,871	5,641	4,544	-	(1,208)	(63)	(887)	698,567
Total Liabilities and Fund Balances	\$ 1,871	\$ 34,062	\$ 43,405	\$ 27,806	\$ 1,208	\$ 63	\$ 887	\$ 921,277

See independent auditors' report.

Oconee County, South Carolina
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2003

	Airport Donations	Library Donations	Duke Power Emergency Preparedness	Tourism ATAX 30%	Tourism ATAX 65%	Local Accommodation Tax	Clerk of Court
Revenues							
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ 22,565	\$ 54,499	\$ -	\$ -
Licenses, Permits and Fees	-	-	-	-	-	-	8,344
Fines and Forfeitures	-	-	-	-	-	-	-
Miscellaneous and Other	5,500	3,663	35,615	-	-	110,196	-
Interest Income	-	-	-	-	114	-	-
Total Revenues	5,500	3,663	35,615	22,565	54,613	110,196	8,344
Expenditures							
Current Operating:							
General Government	2,142	-	-	-	-	-	-
Judicial Services	-	-	-	-	-	-	3,180
Public Safety	-	-	34,907	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Culture and Recreation	-	3,047	-	9,615	58,386	-	-
Capital Expenditures	-	-	-	-	-	153,450	-
Total Expenditures	2,142	3,047	34,907	9,615	58,386	153,450	3,180
Excess (Deficiency) of Revenues Over Expenditures	3,358	616	708	12,950	(3,773)	(43,254)	5,164
Other Financing Sources and (Uses)							
Interfund Transfers In	-	-	-	-	-	-	-
Interfund Transfers (Out)	-	-	-	-	-	-	-
Net Change in Fund Balances	3,358	616	708	12,950	(3,773)	(43,254)	5,164
Fund Balances, Beginning (Restated)	75	8,139	33,572	-	32,558	65,263	7,618
Fund Balances, Ending	\$ 3,433	\$ 8,755	\$ 34,280	\$ 12,950	\$ 28,785	\$ 22,009	\$ 12,782

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	Mapping System Grant	Sheriff DEA State Funds	Sheriff DEA Federal Funds	Duke Power 911 Equipment	Local Emergency Preparedness	Rescue Squad Banquet Donations	Economic Development Office
Revenues							
Intergovernmental Revenues	\$ 15,000	\$ 848,606	\$ 110	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Fees	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-
Miscellaneous and Other	-	-	-	-	1,500	1,071	-
Interest Income	-	-	-	-	-	-	-
Total Revenues	15,000	848,606	110	-	1,500	1,071	-
Expenditures							
Current Operating:							
General Government	15,000	-	-	-	-	-	-
Judicial Services	-	-	-	-	-	-	-
Public Safety	-	688,538	5,411	10,500	-	1,644	-
Health and Welfare	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Capital Expenditures	-	180,000	-	-	-	-	3,000
Total Expenditures	15,000	868,538	5,411	10,500	-	1,644	3,000
Excess (Deficiency) of Revenues Over Expenditures	-	(19,932)	(5,301)	(10,500)	1,500	(573)	(3,000)
Other Financing Sources and (Uses)							
Interfund Transfers In	-	-	-	-	(3,000)	3,000	-
Interfund Transfers (Out)	-	-	-	-	-	-	-
Net Change in Fund Balances	-	(19,932)	(5,301)	(10,500)	(1,500)	2,427	(3,000)
Fund Balances, Beginning (Restated)	16,938	110,108	9,662	17,075	13,107	(256)	3000
Fund Balances, Ending	\$ 16,938	\$ 90,176	\$ 4,361	\$ 6,575	\$ 11,607	\$ 2,171	\$ -

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	DARE Fund	Seneca Health Clinic	HMEP Planning Grant	Rescue Squad Equipment Donations	County Park Brochures	Industrial Park Development	Chau Ram Expansion
Revenues							
Intergovernmental Revenues	\$ -	\$ -	\$ 6,842	\$ -	\$ -	\$ -	\$ 152,500
Licenses, Permits and Fees	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-
Miscellaneous and Other	1,000	-	-	325	3,779	20,000	-
Interest Income	-	-	-	-	-	-	-
Total Revenues	1,000	-	6,842	325	3,779	20,000	152,500
Expenditures							
Current Operating:							
General Government	-	-	-	-	-	3,487	-
Judicial Services	-	-	-	-	-	-	-
Public Safety	5,937	-	5,932	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	779	-	-
Capital Expenditures	-	-	-	-	-	137,677	152,500
Total Expenditures	5,937	-	5,932	-	779	141,164	152,500
Excess (Deficiency) of Revenues Over Expenditures	(4,937)	-	910	325	3,000	(121,164)	-
Other Financing Sources and (Uses)							
Interfund Transfers In	-	-	-	-	-	-	-
Interfund Transfers (Out)	-	-	-	-	-	-	-
Net Change in Fund Balances	(4,937)	-	910	325	3,000	(121,164)	-
Fund Balances, Beginning (Restated)	4,680	11,791	(910)	-	-	221,164	-
Fund Balances, Ending	\$ (257)	\$ 11,791	\$ -	\$ 325	\$ 3,000	\$ 100,000	\$ -

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	DHEC EMS Grant	Library Youth FY02 LSTA IIB2	Clerk of Court Victim's Assistance	Magistrate Victim's Assistance	U. S. District Court Community Assistance	LLEBGP 2000 LBVX0533	LLEBGP 2000 LBBX1533
Revenues							
Intergovernmental Revenues	\$ 22,888	\$ 6,000	\$ -	\$ -	\$ 1,721	\$ 3,111	\$ 35,816
Licenses, Permits and Fees	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	42,110	90,705	-	-	-
Miscellaneous and Other	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	208
Total Revenues	<u>22,888</u>	<u>6,000</u>	<u>42,110</u>	<u>90,705</u>	<u>1,721</u>	<u>3,111</u>	<u>36,024</u>
Expenditures							
Current Operating:							
General Government	-	-	-	-	-	-	-
Judicial Services	-	-	42,823	75,966	-	-	-
Public Safety	22,888	-	-	-	-	3,111	31,107
Health and Welfare	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Capital Expenditures	-	6,000	-	25,111	-	-	10,511
Total Expenditures	<u>22,888</u>	<u>6,000</u>	<u>42,823</u>	<u>101,077</u>	<u>-</u>	<u>3,111</u>	<u>41,618</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(713)	(10,372)	1,721	-	(5,594)
Other Financing Sources and (Uses)							
Interfund Transfers In	-	-	-	-	-	-	-
Interfund Transfers (Out)	-	-	-	-	-	-	-
Net Change in Fund Balances	-	-	(713)	(10,372)	1,721	-	(5,594)
Fund Balances, Beginning (Restated)	-	-	69,493	260,580	150	-	5,594
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,780</u>	<u>\$ 250,208</u>	<u>\$ 1,871</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	LLEBGP 2001 LBBX3746	LLEBGP 2002 LBBX1621	CDBG 3-L-98-033	CDBG 4-P-00-001	CDBG 4-P-01-001	USDA Housing Preservation	Library Lottery Funds
Revenues							
Intergovernmental Revenues	\$ 14,725	\$ -	\$ 24,944	\$ 8,161	\$ 45,639	\$ 16,100	\$ 24,756
Licenses, Permits and Fees	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-
Miscellaneous and Other	-	-	-	-	-	-	-
Interest Income	472	226	-	-	-	-	-
Total Revenues	<u>15,197</u>	<u>226</u>	<u>24,944</u>	<u>8,161</u>	<u>45,639</u>	<u>16,100</u>	<u>24,756</u>
Expenditures							
Current Operating:							
General Government	-	-	-	8,161	45,639	-	-
Judicial Services	-	-	-	-	-	-	-
Public Safety	14,725	-	-	-	-	-	-
Health and Welfare	-	-	24,884	-	-	16,100	-
Culture and Recreation	-	-	-	-	-	-	24,756
Capital Expenditures	-	-	-	-	-	-	-
Total Expenditures	<u>14,725</u>	<u>-</u>	<u>24,884</u>	<u>8,161</u>	<u>45,639</u>	<u>16,100</u>	<u>24,756</u>
Excess (Deficiency) of Revenues Over Expenditures	472	226	60	-	-	-	-
Other Financing Sources and (Uses)							
Interfund Transfers In	-	4,318	-	-	-	-	-
Interfund Transfers (Out)	-	-	-	-	-	-	-
Net Change in Fund Balances	472	4,544	60	-	-	-	-
Fund Balances, Beginning (Restated)	<u>5,169</u>	<u>-</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 5,641</u>	<u>\$ 4,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	Community Emergency Response Training Grant	Citizens Corps Grant	Emergency Management Performance Grant	Total Nonmajor Special Revenue Funds
Revenues				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ 1,303,983
Licenses, Permits and Fees	-	-	-	8,344
Fines and Forfeitures	-	-	-	132,815
Miscellaneous and Other	-	-	-	182,649
Interest Income	-	-	-	1,020
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,628,811</u>
Expenditures				
Current Operating:				
General Government	-	-	-	74,429
Judicial Services	-	-	-	121,969
Public Safety	1,208	63	887	826,858
Health and Welfare	-	-	-	40,984
Culture and Recreation	-	-	-	96,583
Capital Expenditures	-	-	-	668,249
Total Expenditures	<u>1,208</u>	<u>63</u>	<u>887</u>	<u>1,829,072</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,208)	(63)	(887)	(200,261)
Other Financing Sources and (Uses)				
Interfund Transfers In	-	-	-	4,318
Interfund Transfers (Out)	-	-	-	-
Net Change in Fund Balances	(1,208)	(63)	(887)	(195,943)
Fund Balances, Beginning (Restated)	<u>-</u>	<u>-</u>	<u>-</u>	<u>894,510</u>
Fund Balances, Ending	<u>\$ (1,208)</u>	<u>\$ (63)</u>	<u>\$ (887)</u>	<u>\$ 698,567</u>

See independent auditors' report.

Oconee County, South Carolina
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2003

	<u>Court House</u>	<u>Airport Improvement Program #3-45-0016-11</u>	<u>Newry Infrastructure Project</u>	<u>Rural Fire Burn Building</u>
Assets				
Cash and Other Cash Deposits	\$ -	\$ -	\$ -	\$ 231,923
Restricted Assets - Cash and Other Cash Deposits	820,396	-	8,978	-
Accounts Receivable	-	53,503	-	-
Total Assets	<u>\$ 820,396</u>	<u>\$ 53,503</u>	<u>\$ 8,978</u>	<u>\$ 231,923</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 20,000	\$ 4,862	\$ -	\$ -
Deferred Revenue - Unavailable	-	50,079	-	-
Interfund Balances	-	47,158	-	-
Total Liabilities	<u>20,000</u>	<u>102,099</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved for Encumbrances	29,267	22,579	-	22,598
Unreserved	771,129	(71,175)	8,978	209,325
Total Fund Balances	<u>800,396</u>	<u>(48,596)</u>	<u>8,978</u>	<u>231,923</u>
Total Liabilities and Fund Balances	<u>\$ 820,396</u>	<u>\$ 53,503</u>	<u>\$ 8,978</u>	<u>\$ 231,923</u>

See independent auditors' report.

**Oconee County, South Carolina
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2003**

	<u>Communications Center</u>	<u>Economic Development Infrastructure</u>	<u>Other County Infrastructure</u>	<u>Total Nonmajor Capital Project Funds</u>
Assets				
Cash and Other Cash Deposits	\$ 390,000	\$ 333,691	\$ -	\$ 955,614
Restricted Assets - Cash and Other Cash Deposits	-	-	-	829,374
Accounts Receivable	-	-	300,000	353,503
Total Assets	<u>\$ 390,000</u>	<u>\$ 333,691</u>	<u>\$ 300,000</u>	<u>\$ 2,138,491</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	\$ 20,200	\$ -	\$ 45,062
Deferred Revenue - Unavailable	-	-	-	50,079
Interfund Balances	-	-	-	47,158
Total Liabilities	<u>-</u>	<u>20,200</u>	<u>-</u>	<u>142,299</u>
Fund Balances:				
Reserved for Encumbrances	-	155,629	-	230,073
Unreserved	390,000	157,862	300,000	1,766,119
Total Fund Balances	<u>390,000</u>	<u>313,491</u>	<u>300,000</u>	<u>1,996,192</u>
Total Liabilities and Fund Balances	<u>\$ 390,000</u>	<u>\$ 333,691</u>	<u>\$ 300,000</u>	<u>\$ 2,138,491</u>

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2003

	<u>Lila Doyle Expansion</u>	<u>Court House</u>	<u>Airport Improvement Program #3-45-0016-09/10</u>	<u>Airport Improvement Program #3-45-0016-11</u>	<u>Newry Infrastructure Project</u>
Revenues					
Intergovernmental Revenues	\$ -	\$ -	\$ 2	\$ 65,042	\$ 10,256
Interest Income	21,307	39,364	-	-	3,329
Total Revenues	<u>21,307</u>	<u>39,364</u>	<u>2</u>	<u>65,042</u>	<u>13,585</u>
Expenditures					
Current Operating:					
General Government	-	-	-	72,566	-
Health and Welfare	3,769,486	-	-	-	304,211
Capital Expenditures	-	3,927,583	-	48,615	-
Total Expenditures	<u>3,769,486</u>	<u>3,927,583</u>	<u>-</u>	<u>121,181</u>	<u>304,211</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,748,179)	(3,888,219)	2	(56,139)	(290,626)
Other Financing Sources and (Uses)					
Interfund Transfers In	-	-	-	7,543	-
Interfund Transfers (Out)	-	-	(2)	-	-
Net Change in Fund Balances	<u>(3,748,179)</u>	<u>(3,888,219)</u>	<u>-</u>	<u>(48,596)</u>	<u>(290,626)</u>
Fund Balances, Beginning (Restated)	<u>3,748,179</u>	<u>4,688,615</u>	<u>-</u>	<u>-</u>	<u>299,604</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 800,396</u>	<u>\$ -</u>	<u>\$ (48,596)</u>	<u>\$ 8,978</u>

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2003

	Rural Fire Burn Building	Communications Center	Economic Development Infrastructure	Other County Infrastructure	Total Nonmajor Capital Project Funds
Revenues					
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ 300,000	\$ 375,300
Interest Income	-	-	-	-	64,000
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>439,300</u>
Expenditures					
Current Operating:					
General Government	-	-	20,200	-	92,766
Health and Welfare	-	-	-	-	4,073,697
Capital Expenditures	18,077	-	-	-	3,994,275
Total Expenditures	<u>18,077</u>	<u>-</u>	<u>20,200</u>	<u>-</u>	<u>8,160,738</u>
Excess (Deficiency) of Revenues Over Expenditures	(18,077)	-	(20,200)	300,000	(7,721,438)
Other Financing Sources and (Uses)					
Interfund Transfers In	250,000	390,000	333,691	-	981,234
Interfund Transfers (Out)	-	-	-	-	(2)
Net Change in Fund Balances	<u>231,923</u>	<u>390,000</u>	<u>313,491</u>	<u>300,000</u>	<u>(6,740,206)</u>
Fund Balances, Beginning (Restated)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,736,398</u>
Fund Balances, Ending	<u>\$ 231,923</u>	<u>\$ 390,000</u>	<u>\$ 313,491</u>	<u>\$ 300,000</u>	<u>\$ 1,996,192</u>

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

	<u>Tax Collector Property Sold</u>	<u>Clerk of Court</u>	<u>Probate Judge</u>	<u>Family Court</u>	<u>Tri-County Technical College</u>	<u>Municipal Tax Collection Fund</u>	<u>Fireman's Insurance and Inspection Fund</u>
Assets							
Cash and Other Cash Deposits	\$ 216,129	\$ 243,700	\$ 13,456	\$ 19,400	\$ -	\$ 37,489	\$ 120,701
Accounts Receivable	-	-	-	-	68	-	-
Accrued Interest Receivable	-	-	-	-	-	-	415
Property Taxes Receivable	-	-	-	-	3,000	-	-
Receivable from General Fund	-	-	-	-	-	-	119,010
Total Assets	<u>\$ 216,129</u>	<u>\$ 243,700</u>	<u>\$ 13,456</u>	<u>\$ 19,400</u>	<u>\$ 3,068</u>	<u>\$ 37,489</u>	<u>\$ 240,126</u>
Liabilities							
Due to Other Taxing Districts and Agencies	\$ -	\$ -	\$ -	\$ -	\$ 3,068	\$ 37,489	\$ 240,126
Payable to General Fund	3,261	-	-	19,400	-	-	-
Due to Others	<u>212,868</u>	<u>243,700</u>	<u>13,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 216,129</u>	<u>\$ 243,700</u>	<u>\$ 13,456</u>	<u>\$ 19,400</u>	<u>\$ 3,068</u>	<u>\$ 37,489</u>	<u>\$ 240,126</u>

See independent auditors' report.

Oconee County, South Carolina
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

	SDOC General Fund	SDOC Debt Retirement	Magistrate Cash Bond/ Juror Fund	Sheriff's Pending Confiscated Funds	Pine River Plastics	Sheriff's Escrow Fund	Total
Assets							
Cash and Other Cash Deposits	\$ 493,838	\$ 4,319,849	\$ 7,655	\$ 116,265	\$ 2,756	\$ 19,863	\$ 5,611,101
Accounts Receivable	4,407	548	-	-	-	-	5,023
Accrued Interest Receivable	-	-	-	-	-	-	415
Property Taxes Receivable	154,381	24,310	-	-	-	-	181,691
Receivable from General Fund	-	-	-	116,117	-	-	235,127
Total Assets	<u>\$ 652,626</u>	<u>\$ 4,344,707</u>	<u>\$ 7,655</u>	<u>\$ 232,382</u>	<u>\$ 2,756</u>	<u>\$ 19,863</u>	<u>\$ 6,033,357</u>
Liabilities							
Due to Other Taxing Districts and Agencies	\$ 652,626	\$ 4,344,707	\$ -	\$ -	\$ 2,756	\$ -	\$ 5,280,772
Payable to General Fund	-	-	-	-	-	-	22,661
Due to Others	-	-	7,655	232,382	-	19,863	729,924
Total Liabilities	<u>\$ 652,626</u>	<u>\$ 4,344,707</u>	<u>\$ 7,655</u>	<u>\$ 232,382</u>	<u>\$ 2,756</u>	<u>\$ 19,863</u>	<u>\$ 6,033,357</u>

See independent auditors' report.

Oconee County, South Carolina
Schedule of Revenues and Expenditures for Oconee County Library
(For State Library Requirements)
For the Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
County Revenues			
Library Fines	\$ 20,000	\$ 40,524	\$ 20,524
Library Gifts	3,000	3,663	663
Total County Revenues	<u>23,000</u>	<u>44,187</u>	<u>21,187</u>
County Expenditures			
Salaries	672,982	666,732	6,250
Social Security	44,594	50,232	(5,638)
Employee Benefits	100,649	104,186	(3,537)
Travel	7,000	6,346	654
Equipment Maintenance	12,169	11,269	900
Small Equipment	2,000	1,980	20
Operational	16,000	13,964	2,036
Postage	5,500	5,459	41
Books	100,402	109,167	(8,765)
Magazines and Newspapers	5,000	4,447	553
Audio Visual	11,184	11,184	-
Telephone	13,863	5,168	8,695
Utilities and Maintenance	67,250	60,821	6,429
Dues	700	680	20
Schools/Seminars	2,250	1,553	697
Equipment Rental	3,450	3,257	193
Data Processing	18,576	12,841	5,735
Capital Expenditures	20,000	18,718	1,282
Vehicle	2,000	2,470	(470)
Miscellaneous	3,000	3,047	(47)
Total County Expenditures	<u>1,108,569</u>	<u>1,093,521</u>	<u>15,048</u>
Excess (Deficiency) of Revenue Over Expenditures - County	<u>\$ (1,085,569)</u>	<u>\$ (1,049,334)</u>	<u>\$ 36,235</u>

See independent auditors' report.

Oconee County South Carolina
Schedule of Revenues and Expenditures for Oconee County Library
(For State Library Requirements)
For the Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
Federal Aid - State Library			
Program - CFDA 45.310			
LSTA IIB			
Youth Services			
Federal Revenues	\$ -	\$ 6,000	\$ 6,000
Expenditures - Youth Services	-	6,000	(6,000)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State Aid			
State Aid to County and Regional Libraries			
Revenue	\$ 106,813	\$ 77,477	\$ (29,336)
Expenditures			
Books	76,813	59,662	17,151
Magazines and Newspapers	10,000	10,000	-
Audio Visual	10,000	7,815	2,185
Total Expenditures	<u>96,813</u>	<u>77,477</u>	<u>19,336</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>
State Library Lottery Revenue	\$ -	\$ 24,756	\$ 24,756
Expenditures - Supplies and Equipment	-	24,756	(24,756)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors report.

Oconee County, South Carolina
Schedule of Revenues and Expenditures for County Airport
(For Federal Aviation Administration Requirements)
For the Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
County Revenues			
County Airport Revenue	\$ 367,776	\$ 408,065	\$ 40,289
County Expenditures			
Salaries	172,978	173,364	(386)
Social Security	13,229	12,863	366
Employee Benefits	36,165	31,717	4,448
Travel	175	160	15
Maintenance	7,500	4,634	2,866
Equipment Maintenance	9,000	8,062	938
Professional	6,800	4,035	2,765
Equipment Rental	4,322	3,231	1,091
Operational	4,000	3,995	5
Postage	350	333	17
Credit Card Fees	-	7,683	(7,683)
Telephone	3,053	2,136	917
Utilities	13,131	13,606	(475)
Dues	336	189	147
Schools/Seminars	2,025	1,797	228
Small Equipment	300	272	28
Vehicle	9,000	8,967	33
Miscellaneous	3,400	3,949	(549)
Capital Expenditures	1,500	1,524	(24)
Aviation and Jet Fuel	238,000	215,427	22,573
Total County Expenditures	<u>525,264</u>	<u>497,944</u>	<u>27,320</u>
Excess (Deficiency) of Revenue Over Expenditures - County	<u>\$ (157,488)</u>	<u>\$ (89,879)</u>	<u>\$ 67,609</u>

See independent auditors' report.

Oconee County, South Carolina
Schedule of Fines, Assessments, Surcharges and Other Fees
(For State Treasurer Requirements)
For the Year Ended June 30, 2003

	Clerk of Court	Magistrate Court	Municipal Court	Probate Judge
County Fines Retained	\$ 23,131	\$ 376,034	\$ 1,101	\$ -
Assessments Remitted to State	\$ 13,496	\$ 358,753	\$ 2,160	\$ -
Victims Assessments and Surcharges Retained by County	\$ 42,110	\$ 90,778	\$ 401	\$ -
Fines Remitted to State	\$ 18,175	\$ -	\$ -	\$ -
5% Service Fees Retained by County	\$ 123,734	\$ -	\$ -	\$ -
5 % Services Fees Remitted to State	\$ 94,689	\$ -	\$ -	\$ -
Court Motion Fees Remitted to State	\$ 35,625	\$ -	\$ -	\$ -
DUI Assessments and Surcharges Remitted to State	\$ 3,126	\$ 12,904	\$ -	\$ -
New Case Fees Remitted to State	\$ 84,711	\$ -	\$ -	\$ -
Marriage License Fees Remitted to State	\$ -	\$ -	\$ -	\$ 23,260
Public Defender Fees Remitted to State	\$ 6,305	\$ -	\$ -	\$ -
Municipal Court Fines Remitted to Towns	\$ -	\$ -	\$ 1,101	\$ -

See independent auditors' report.

FEDERAL FINANCIAL ASSISTANCE SECTION

Oconee County, South Carolina
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

<u>Federal Awards</u>	<u>Federal CFDA Numbers</u>	<u>Pass-Through Grantor's Numbers</u>	<u>Disbursements/ Expenditures</u>
Department of Housing and Urban Development			
Community Development Block Grants - State's Program Passed Through South Carolina Department of Commerce	14.228	3-L-99-011	\$ 10,256
Community Development Block Grants - State's Program Passed Through South Carolina Department of Commerce	14.228	4-P-01-001	45,639
Community Development Block Grants - State's Program Passed Through South Carolina Department of Commerce	14.228	4-P-00-001	8,161
Community Development Block Grants - State's Program Passed Through South Carolina Department of Commerce	14.228	3-L-98-033	<u>24,944</u>
Total Department of Housing and Urban Development			<u>89,000</u>
Department of Interior			
Outdoor Recreation Acquisition, Development and Planning Program Passed Through South Carolina Department of Lakes, Recreation and Tourism	15.916	45091959	<u>152,500</u>
Total Department of Interior			<u>152,500</u>
Department of Health and Human Services			
Child Support Enforcement Title IV - D Program Passed Through South Carolina Department of Social Services:			
Transaction Reimbursement	93.563	N/A	75,278
Incentive Payments	93.563	N/A	10,407
Filing Fees	93.563	N/A	16,700
Sheriff's Office Service of Process Payments	93.563	N/A	8,894
Promoting Safe and Stable Families Program, Temporary Assistance for Needy Families Program, Child Support Enforcement Title IV-D Program, Child Welfare Services	93.556		
State Grants Program, Foster Care Title IV-E Program, Social Services	93.558		
Block Grant Program, Medical Assistance Program and State Administrative Matching Grants for Food Stamp Program Passed Through South Carolina Department of Social Services County DSS Administrative Expense	93.563		
	93.645		
	93.658		
	93.667		
	93.778		
	10.561	N/A	<u>33,376</u>
Total Department of Health and Human Services			<u>144,655</u>

See independent auditors' report and accompanying notes to schedule of expenditures of federal awards.

Oconee County, South Carolina
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

Federal Emergency Management Agency			
Emergency Management Performance Grants			
Passed Through South Carolina Emergency Preparedness Division	83,552	EMA-2003-GR-5307	23,503
State and Local Hazards Emergency Operations Planning Grant Passed			
Through South Carolina Emergency Preparedness Division	83,562	EMA-2002-GR-5076	6,700
Citizen Corps Program Passed Through South Carolina Emergency			
Preparedness Division	83,564	EMA-2002-GR-5084	<u>1,270</u>
Total Federal Emergency Management Agency			<u>31,473</u>
Department of Transportation			
Airport Improvement Program			
	20,106	3-45-0016-11	109,063
Interagency Hazardous Materials Public Sector Training and			
Planning Grants Program Passed Through South Carolina			
Office of the Adjutant General	20,703	HMESC2042100	5,932
State and Community Highway Safety Program Passed			
Through South Carolina Department of Public Safety	20,600	2H03020	<u>162,112</u>
Total Department of Transportation			<u>277,107</u>
Department of Justice			
Local Law Enforcement Block Grants Program			
	16,592	2001-LBBX-3746	
		2000-LBBX-1533	
Bulletproof Vest Partnership Program	16,607	2000-LBVX-0533	53,860
		3016513	2,572
Public Safety Partnership and Community Policing Grants	16,710	2001SHWX0520	<u>41,108</u>
Total Department of Justice			<u>97,540</u>
Department of Agriculture			
Rural Housing Preservation Grants			
	10,433	SC990701-050	<u>16,100</u>
Total Department of Agriculture			<u>16,100</u>
National Oceanic and Atmospheric Administration			
Geodetic Surveys and Services Program Passed Through State			
Budget and Control Board's Office of Research and Statistics	11,400	N/A	<u>15,000</u>
Total National Oceanic and Atmospheric Administration			<u>15,000</u>
Institute of Museum and Library Services			
State Library Program Passed Through South Carolina State			
Library LSTA Project IIB Youth Services	45,310	LSTA IIB2-02-37	<u>6,000</u>
Total Institute of Museum and Library Services			<u>6,000</u>

See independent auditors' report and accompanying notes to schedule of expenditures of federal awards.

Oconee County, South Carolina
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

General Services Administration			
Donation of Federal Surplus Personal Property Passed Through Budget and Control Board of General Services	39,003	N/A	<u>17,582</u>
Total General Service Administration			<u>17,582</u>
Total Federal Awards			<u>\$ 846,957</u>

See independent auditors' report and accompanying notes to schedule of expenditures of federal awards.

Oconee County, South Carolina
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oconee County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts are presented in, or used in the preparation of, the basic financial statements.

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**Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of the Basic Financial Statements
Performed in Accordance with *Government
Auditing Standards***

Oconee County Council
Oconee County
Walhalla, South Carolina

We have audited the basic financial statements of Oconee County, South Carolina as of and for the year ended June 30, 2003, and have issued our report thereon dated December 1, 2003. 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.

Compliance

As part of obtaining assurance about whether Oconee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 03-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oconee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting in its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Oconee County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The County's reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-2 and 03-3.

A material weakness is a condition in which the design of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 03-3 to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Oconee County in a separate letter dated December 1, 2003.

This report is intended for the information of council, management 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.

Byerley & Payne, CPA, PA

Byerley & Payne, CPA, PA

Kirk S. Messick, CPA, PA

Kirk S. Messick, CPA, PA

December 1, 2003

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**Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control over Compliance
in Accordance With OMB Circular A-133**

Oconee County Council
Oconee County
Walhalla, South Carolina

Compliance

We have audited the compliance of Oconee 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, 2003. Oconee County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Oconee County's management. Our responsibility is to express an opinion on Oconee County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Oconee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oconee County's compliance with those requirements.

In our opinion, Oconee County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Oconee County 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 Oconee County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Oconee County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable

requirements of laws, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of council, management 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.

Byerley & Payne, CPA, PA

Byerley & Payne, CPA, PA

Kirk S. Messick, CPA, PA

Kirk S. Messick, CPA, PA

December 1, 2003

**Oconee County, South Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

Part I - Summary of Auditors' Results

Financial Statement Items

The auditors' report expresses an unqualified opinion on the basic financial statements of Oconee County, South Carolina. One instance of noncompliance and two reportable conditions are included in this report. One reportable condition is considered a material weakness.

Single Audit Items

One reportable condition in internal controls over major programs was noted during the audit, and an unqualified opinion was issued on the County's compliance for its major programs. One audit finding was found that requires reporting under Section 510(a). The County had three major programs during its fiscal year ended June 30, 2003 as follows:

CFDA #: 15.916

Name: Outdoor Recreation Acquisition, Development and Planning Program

Federal Agency: Department of Interior

CFDA #: 20.106

Name: Airport Improvement Program

Federal Agency: Department of Transportation

CFDA #: 20.600

Name: State and Community Highway Safety Program

Federal Agency: Department of Transportation

The type A program threshold level amounted to \$300,000. The County was not a low risk auditee under Section 530.

**Part II - Findings Relating to the Financial Statements Audited
in Accordance with Government Auditing Standards**

Noncompliance

03-1 - Section 11 of the County's procurement ordinance requires that the Director of Finance or his/her designee certify that there are sufficient budgeted funds available before any notice of contract award is issued, contract signed, or open market purchase order issued. This certification was not documented. The auditors recommended and the Director of Finance concurred, that a policy be implemented and followed that complies with this provision of the procurement ordinance.

Reportable Condition in Internal Control

03-2 - During the audit, it was noted that the human resource department was performing certain accounting functions related to payroll processing that should be handled by the finance department. This condition did not provide for a good segregation of accounting duties. The auditor recommends that the finance department assume responsibility for the accounting functions related to payroll processing. Management concurs with this assessment and agreed to properly segregate the payroll responsibilities.

Material Weakness in Internal Control

03-3 - The auditor found the supporting documentation for revenue collection at the South Cove park to be in a state of disarray. It is imperative that adequate and accurate documentation exist supporting the park revenue. The lack of such documentation fosters an environment for dishonesty. The auditor recommends that proper documentation of park revenue be required and monitored throughout the year. Management agreed with the auditor's assessment.

Oconee County, South Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Part III – Findings and Questioned Costs for
Federal Awards Under Section 510(a)

Reportable Condition in Internal Control over Major Program

03-4 – The provisions of the Davis-Bacon Act applied to the Airport Improvement Program (CFDA# 20.106) during the year. The engineering firm hired by Oconee County was under contract to receive and to review the certified payrolls from the contractor for compliance with the Davis-Bacon Act requirements after each payroll. Upon inquiry by the auditor, it was discovered that the project engineer had failed to obtain the certified payrolls. Compliance with the Davis-Bacon Act provision was not known until November 2003. The auditor recommends that the County grants administrator verify with future project managers that they are receiving and reviewing contractor certified payrolls during the course of a grant construction project. Management agreed with the auditors' recommendation.

Oconee County, South Carolina
Schedule of Summary of Prior Year Audit Findings
For the Year Ended June 30, 2003

None

**Oconee County, South Carolina
Corrective Action Plan
For the Year Ended June 30, 2003**

Audit Reference

03-4 – We agree with the recommendation of the independent auditors and will have the County grants administrator verify with future project managers that they are receiving and reviewing the certified payrolls in a timely manner.

**Fiscal Year 2002-2003
Supplemental Information for
Annual Report**

Tax Collection Record

The following table shows the record of levies and collections of Oconee County of ad valorem taxes for the 2002-2003 Fiscal Year:

Calendar Year	Fiscal Year	Taxes Levied	Current Taxes Collected	Percentage Current Collected	Delinquent Taxes Collected	Total Taxes Collected	Percent of Total Tax Collection to Total Tax Levy
2002	2003	\$ 23,694,113	\$ 21,287,292	89.9%	\$ 419,972	\$ 21,707,264	91.6%

Source: Oconee County Treasurer's Office

The following table sets forth the annual County tax millage assessed for the 2002-2003 Fiscal Year:

Fiscal Year	Operations Levy	Debt Service Levy	Capital Improvements Levy	Total Levy
2002-2003	55.7	7.1	0	62.8

Source: Oconee County Auditor's Office

Top Ten Taxpayers

The following is a list of the top ten taxpayers for Oconee County for the 2002-2003 Fiscal Year:

Duke Power	\$ 5,858,788
Cryovc	\$ 88,861
Blue Ridge Electric	\$ 249,153
West Point Stevens	\$ 262,866
Englehard Corp.	\$ 61,963
Schlumberger	\$ 75,883
Bell South	\$ 186,419
Amoco Fibers	\$ 150,610
US Engine Valve	\$ 54,098
Valenite Inc.	\$ 41,691

Source: Oconee County Auditor's Office

OCONEE COUNTY

South Carolina's Golden Corner

Fiscal Year 2003-2004 Budget Ordinance

Interim Supervisor, Harry R. Hamilton

District I, Steven R. Moore

District II, Kenneth E. Johns, Jr.

District III, Rev. William Rinehart

District IV, Marion E. Lyles

District V, H. Frank Ables

Council Clerk, Opal Green

Director of Administrative Services & Finance, Phyllis E. Lombard, CGFO

**OCONEE COUNTY, SOUTH CAROLINA
FISCAL YEAR 2003-2004
BUDGET ORDINANCE 2003-09**

FUND 10, GENERAL FUND - REVENUES

DESCRIPTION	AMOUNT
Local Revenues (80)	\$ 31,988,067
State Revenues (81)	\$ 2,711,354
Federal Revenues (82)	\$ 735,977
Total - Fund 10 Revenues	\$ 35,435,398

FUND 10, GENERAL FUND - EXPENDITURES

PUBLIC SAFETY		
Dept. No.	Department Name	Amount
101	Sheriff's Department	\$ 4,184,242
102	Rural Fire Control	\$ 1,272,921
103	Coroner	\$ 114,414
104	Communications	\$ 1,077,508
105	Emergency Management	\$ 251,047
106	Law Enforcement Center	\$ 1,480,614
109	Probation Office	\$ 5,300
110	Animal Control	\$ 98,221
Total - Public Safety		\$ 8,484,267

CULTURE & RECREATION		
Dept. No.	Department Name	Amount
201	Arts & Historical Commission	\$ 28,661
202	Parks, Recreation & Tourism	\$ 900,018
206	Library	\$ 1,125,659
Total - Culture & Recreation		\$ 2,054,338

TAXES		
Dept. No.	Department Name	Amount
301	Assessor	\$ 672,608
302	Auditor	\$ 294,907
303	Board of Assessment Appeals	\$ 12,306
304	Computer Tax Center	\$ 43,863
305	Tax Collector	\$ 197,683
306	Treasurer	\$ 279,932
Total - Taxes		\$ 1,591,299

HEALTH & WELFARE		
Dept. No.	Department Name	Amount
401	Charity Medical	\$ 370,521
402	Department of Social Services	\$ 11,010
403	Health Department	\$ 53,322
404	Department of Veterans' Affairs	\$ 129,733
Total - Health & Welfare		\$ 564,586

HIGHWAYS & STREETS		
Dept. No.	Department Name	Amount
601	Road Department	\$ 3,887,983
Total - Highways & Streets		\$ 3,887,983

JUDICIAL		
Dept. No.	Department Name	Amount
501	Clerk Of Court	\$ 548,513
502	Probate Court	\$ 277,479
504	Solicitor	\$ 247,658
509	Magistrate Court	\$ 512,682
Total - Judicial		\$ 1,586,332

GENERAL SERVICES		
Dept. No.	Department Name	Amount
701	Boards & Commissions	\$ 12,733
702	Building Codes/ E-911 Addressing	\$ 379,746
703	Capital Improvement	\$ 475,696
704	County Council	\$ 191,303
705	County Grants	\$ 984,529
706	Delegation	\$ 51,996
707	Economic Development	\$ 514,398
708	Finance Department	\$ 379,880
709	General Expense	\$ 4,268,312
710	Human Resources	\$ 278,716
711	Information Technology	\$ 751,816
712	Planning Commission	\$ 126,708
713	Procurement	\$ 217,778
714	Public Buildings Maintenance	\$ 519,688
715	Registration & Elections	\$ 106,713
716	Soil & Water Conservation	\$ 43,345
717	Office of the Supervisor	\$ 158,849
718	Solid Waste Transfer To Enterprise Fund	\$ 2,767,601
720	Aeronautics Commission	\$ 469,506
721	Vehicle Maintenance Facility	\$ 1,299,169
732	Environmental Services	\$ 233,622
735	Register Of Deeds	\$ 217,167
Total - General Services		\$ 14,449,271

AGENCY FUNDS		
Dept. No.	Department Name	Amount
801	Fund Distribution	\$ 191,000
803	Distribution For Bond Sinking Fund	\$ 2,716,322
Total - Agency Funds		\$ 2,907,322

Overall Total - FY04 Fund 10 Expenditures	\$ 35,435,398
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OCONEE COUNTY SOUTH CAROLINA
FISCAL YEAR 2003-2004 BUDGET ORDINANCE 2003-09

ND 13 - SPECIAL REVENUES

DESCRIPTION	AMOUNT
Local Revenues (80)	\$ 130,500
State Revenues (81)	\$ 567,502
Fund 13 - Total Revenues	\$ 698,002

DESCRIPTION	AMOUNT
Expenditures	\$ 698,002
Fund 13 - Total Expenditures	\$ 698,002

FUND 14 - AGENCY FUNDS

DESCRIPTION	AMOUNT
School Taxes (Operational)	\$ 47,019,100
National Forestry - School	\$ 63,000
<i>Sub-Total (School Operational)</i>	<i>\$ 47,082,100</i>
School Taxes (Bonds)	\$ 5,292,924
Tri-County Technical College	\$ 799,093
Tri-County Technical College (Bonds)	\$ 271,098
Fund 14 - Total Revenues	\$ 53,445,215

DESCRIPTION	AMOUNT
ool (Operational)	\$ 47,019,100
National Forestry	\$ 63,000
School Bonds	\$ 5,292,924
<i>Sub-Total (School Expenditures)</i>	<i>\$ 52,375,024</i>
Tri-County Technical College	\$ 799,093
Tri-County Technical College (Bonds)	\$ 271,098
<i>Sub-Total (Tri-County Tech Expenditures)</i>	<i>\$ 1,070,191</i>
Fund 14 - Total Expenditures	\$ 53,445,215

FUND 16 - SOLID WASTE ENTERPRISE FUND

DESCRIPTION	AMOUNT
Solid Waste Revenues (Local, 80)	\$ 3,617,081
Solid Waste Revenues (State, 81)	\$ 25,000
Fund 16 - Total Revenues	\$ 3,642,081

DESCRIPTION	AMOUNT
Solid Waste Expenses	\$ 3,642,081
Fund 16 - Total Expenses	\$ 3,642,081

FUND 17 - ROCK QUARRY ENTERPRISE FUND

DESCRIPTION	AMOUNT
Rock Quarry Revenues	\$ 3,241,935
Fund 17 - Total Revenues	\$ 3,241,935

DESCRIPTION	AMOUNT
Rock Quarry Expenses	\$ 3,241,935
Fund 17 - Total Expenses	\$ 3,241,935