

PICKENS COUNTY, SOUTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2003

COUNTY OFFICIALS

PICKENS COUNTY COUNCIL

Ronald D. Harrison, Chairman

Norman D. Langston
James B. London

Jennifer H. Willis

James H. Patten
C. Roy Collins

ELECTED OFFICIALS

Dale M. Looper, Treasurer

George N. Bryant, Auditor

LeJette Gatlin, Clerk of Court

Dr. James R. Mahanes,
Coroner
Kathy Zorn,
Probate Judge
C. David Stone, Sheriff

COUNTY STAFF

Alan M. Ours, County Administrator
Ralph Guarino, Jr., Finance Director
Donna Owen, Clerk to Council

COUNTY ATTORNEY

G. Edward Welmaker

PICKENS COUNTY, SOUTH CAROLINA
 FINANCIAL STATEMENTS
 AND SUPPLEMENTAL INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<u>Independent Auditors' Report</u>		1-2
<u>Required Supplementary Information</u>		
Management's Discussion and Analysis		3-8
<u>Basic Financial Statements</u>		
Government – wide Financial Statements:		
Statement of Net Assets	A	9-10
Statement of Activities	B	11
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	12-13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	D	14-15
Statement of Net Assets – Proprietary Funds	E	16
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	F	17
Statement of Cash Flows – Proprietary Funds	G	18
Statement of Assets and Liabilities – Agency Funds	H	19
Notes to Financial Statements		20-43
<u>Required Supplementary Information</u>	<u>Schedule</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	1	44-46
<u>Supplemental Information</u>		
Combining Statements and Individual Fund Schedules:		
Combining Balance Sheet – Nonmajor Governmental Funds	2	47

PICKENS COUNTY, SOUTH CAROLINA
 FINANCIAL STATEMENTS
 AND SUPPLEMENTAL INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

TABLE OF CONTENTS - continued

	<u>Schedule</u>	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	3	48
Combining Balance Sheet – Nonmajor Special Revenue Funds	4	49-50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	5	51-52
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Tri-County Tech Fund	6	53
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Library Fund	7	54
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Victim Rights Fund	8	55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Emergency Phone System	9	56
Combining Balance Sheet – Fire Districts	10	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Fire Districts	11	58
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	12	59
Combining Statement of Assets and Liabilities – Agency Funds	13	60
<u>Auditor’s Report on Other Matters</u>		
Schedule of Expenditures of Federal Awards	14	61-62
Note to Schedule of Expenditures of Federal Awards		63
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		64
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67

Pickens County Council
Pickens, South Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pickens 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 the management of Pickens County, South Carolina. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pickens 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 U. S. generally accepted accounting principles.

As described in Note 15, 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 *Government Auditing Standards*, we have also issued our report dated October 17, 2003, on our consideration of Pickens 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 1 through 6 and 44 through 46, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pickens County, South Carolina basic financial statements. The combining and individual nonmajor fund financial statements 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 of Pickens County, South Carolina. The combining and individual nonmajor fund financial statements 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.

McAfee, Talbot, & Halliday, C/PA

Spartanburg, South Carolina
October 17, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Pickens County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2003.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 9⁴. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County, as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets—the difference between assets and liabilities—as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities—Most of the County's basic services are reported here, including the sheriff, general administration, roads, park, courts, and emergency medical services. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities—The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's sewer and airport systems are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the South Carolina Department of Commerce). The County's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental funds**—Most of the County’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- **Proprietary funds**—When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE COUNTY AS A WHOLE

For the year ended June 30, 2003, net assets changed as follows:

	Governmental Activities	Business-type Activities	Total
Beginning net assets	\$ 27,343,933	\$ 17,455,585	\$ 44,799,518
Increase in net assets	6,652,373	1,434,379	8,086,752
Ending net assets	\$ 33,996,306	\$ 18,889,964	\$ 52,886,270

That reflects an increase of 24.3 percent for governmental activities and 8.2 percent for business-type activities.

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible (with the exception of the above comparison). However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets.

Governmental Activities

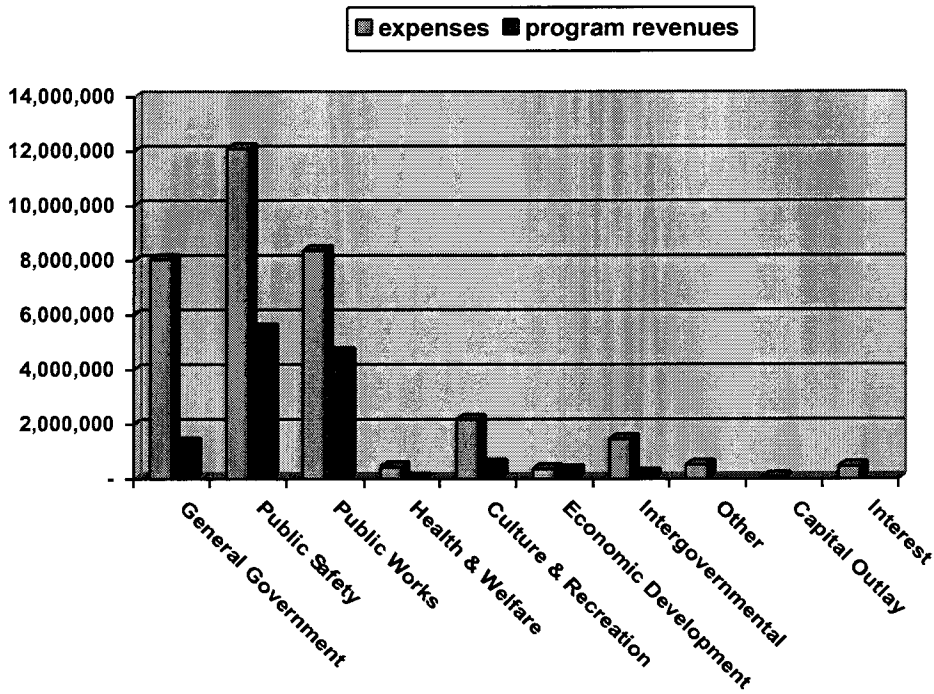
Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year’s discussion this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County’s taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

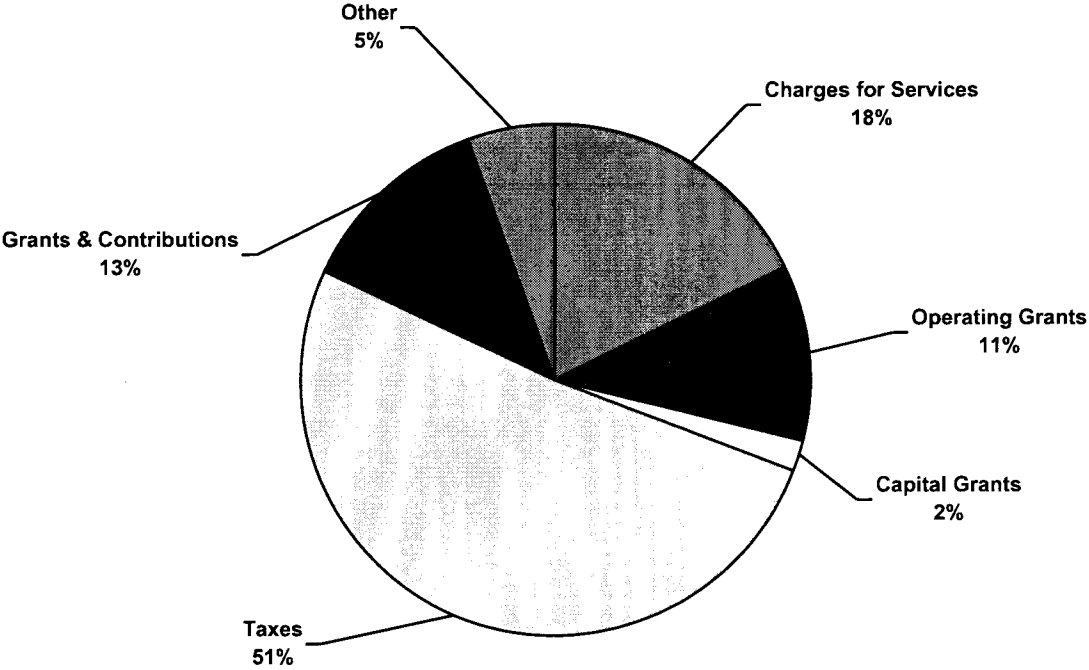
General government	Probate Fees, Data Processing Fees, Register of Deed Fees, Family Court Fees
Public Safety	Building Permits, Fines, Ambulance run charges, 911 Telephone Fee, Fire Fees, Grants for Public Safety
Public Works	Septic Tank Permits, Landfill User Fees, Sale of Recyclables, Vehicle Road Fee, State Gasoline Tax
Culture & Recreation	Park Charges, Tourism Development Fee, State Aid to Libraries,
Intergovernmental	Federal Financial Assistance (Department of Social Services)

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Expenses and Program Revenues-Governmental Activities



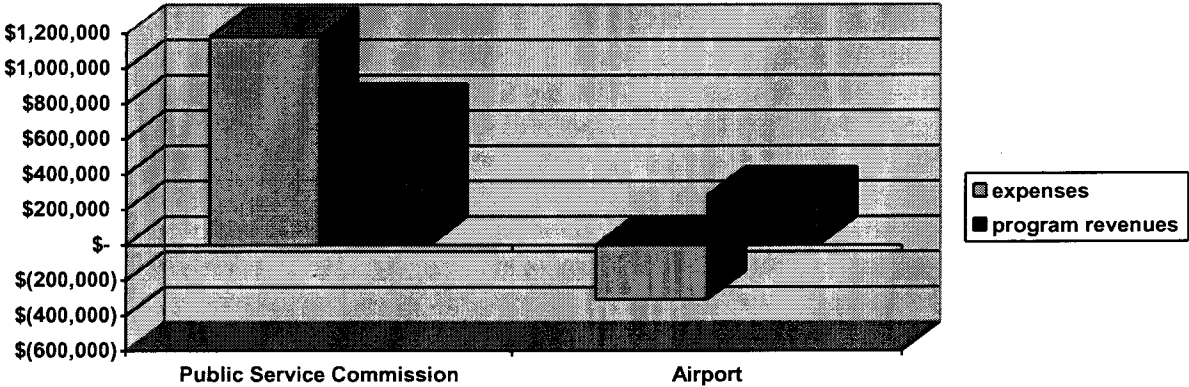
Revenues by Sources-Governmental Activities



Business-type Activities

In reviewing the departmental net assets on page 17 there is one department that needs to be examined more closely. The Airport Fund is showing a net expense of \$144,126, which was anticipated for FY 2003. With this trend projected to continue in the following years, Council has asked the Administrator to examine how the Airport can become less dependant on the General Fund for operations.

Expenses and Program Revenues-Business-type Activities



THE COUNTY'S FUNDS

With the implementation of new accounting standards, an analysis of current- and prior-year governmental fund (in particular the general fund) balance sheets is difficult to do. In subsequent years, this section will discuss and analyze significant differences. However, some individual funds were not affected by these new accounting standards and a review of those funds follows.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, County Council revised the General Fund budget one time.

The differences between the original budget and the final amended budget were relatively minor (\$516,846 decrease in appropriations) and can be briefly summarized as follows:

- \$272,745 decrease in the Recreation Department. These funds were placed in a separate fund.
- \$398,886 decrease in the capital account. Money set aside for the replacement of public safety vehicles were placed in a separate fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2003, the County had \$ 45,760,593 million invested in capital assets including police and fire equipment, buildings, park facilities, roads, and sewer. (See table below) This represents a net increase of just under \$ 361,062, or .01 percent, over last year.

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Land	\$ 1,727,492	\$ 2,856,469	\$ 964,987	\$ 964,987	\$2,692,479	\$ 3,821,456
Buildings	13,750,451	12,647,630	628,828	648,197	14,379,279	13,295,827
Improvements & Infrastructure	1,674,806	93,957	18,406,101	18,687,176	20,080,907	18,781,133
Equipment	4,392,080	4,435,931	279,789	314,374	4,671,869	4,750,305
Construction-in- Progress	185,747	2,879,538	3,750,312	1,871,272	3,936,05	4,750,810
Total	\$ 21,730,576	\$22,913,525	\$24,030,017	\$22,486,006	\$45,760,593	\$ 45,399,531

Debt

At year-end, the County had \$22,109,257 in outstanding notes, capital leases, general obligation bonds, and revenue notes compared to \$22,810,097 last year. That is a decrease of 3 percent as shown in the following table.

Debt, continued

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
General Obligation Debt	\$6,395,000	\$7,280,000	--	--	\$6,395,000	\$7,280,000
Revenue notes (backed by fee revenues)	1,728,196	1,956,193	5,718,762	5,824,057	7,446,958	7,180,250
Capital lease obligations (backed by County)	1,941,310	1,302,599	--	--	1,941,310	1,302,599
Notes Payable	6,325,989	6,447,248	--	--	6,325,989	6,447,248
Total	\$16,390,495	\$16,986,040	\$ 5,718,762	\$ 5,824,057	\$22,109,257	\$22,810,097

The only new debt issued this year was two capital leases totaling \$973,923 used to purchase a new fire truck and the expansion of the museum. Other obligations of the County include accrued compensated absences and landfill closure and postclosure costs.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Finance Director at 222 McDaniel Avenue, Pickens, South Carolina.

PICKENS COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2003

Exhibit A

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 28,412,282	\$ 758,498	\$ 29,170,780
Property taxes receivable	1,187,971	-	1,187,971
Accounts receivable - other	579,874	169,234	749,108
Due from other governments	2,560,947	217,047	2,777,994
Due from fiduciary funds	100,964	-	100,964
Note receivable	65,288	-	65,288
Inventories	165,159	-	165,159
Prepaid expenses	46,962	1,447	48,409
	<u>33,119,447</u>	<u>1,146,226</u>	<u>34,265,673</u>
Noncurrent assets:			
Land held for resale	1,717,778	-	1,717,778
Deferred charges - issuance cost	59,626	-	59,626
Deferred charges - refunding	87,453	-	87,453
Net capital assets	21,730,576	24,030,017	45,760,593
	<u>23,595,433</u>	<u>24,030,017</u>	<u>47,625,450</u>
	<u>\$ 56,714,880</u>	<u>\$ 25,176,243</u>	<u>\$ 81,891,123</u>
Liabilities			
Current liabilities			
Bank overdraft	\$ -	\$ 10,688	\$ 10,688
Accounts payable	1,480,339	226,801	1,707,140
Accrued payroll	390,066	12,251	402,317
Due to other governments	58,235	-	58,235
Due to individuals	279,298	-	279,298
Internal balances	(290,285)	290,285	-
Accrued interest payable	172,453	-	172,453
Current portion of long-term debt	1,346,817	107,979	1,454,796
Deferred revenue	217,948	-	217,948
	<u>3,654,871</u>	<u>648,004</u>	<u>4,302,875</u>
Noncurrent liabilities			
Landfill closure and postclosure	3,090,900	-	3,090,900
Capital leases	1,628,598	-	1,628,598
Notes payable	6,155,030	5,610,783	11,765,813
Special source revenue bonds	1,485,050	-	1,485,050
General obligation bonds	5,775,000	-	5,775,000
Bond premium	(2,906)	-	(2,906)
Accrued compensated absences	932,031	27,492	959,523
	<u>19,063,703</u>	<u>5,638,275</u>	<u>24,701,978</u>
	<u>22,718,574</u>	<u>6,286,279</u>	<u>29,004,853</u>

PICKENS COUNTY, SOUTH CAROLINA
 STATEMENT OF NET ASSETS
 JUNE 30, 2003

Exhibit A

	Governmental Activities	Business-type Activities	Total
Net Assets			
Investment in capital assets, net of related debt	5,340,081	18,311,254	23,651,335
Restricted for:			
Capital projects	816,192	-	816,192
Debt service	702,975	-	702,975
Public works	8,092,027	-	8,092,027
Public safety	2,889,041	-	2,889,041
Economic development	607,117	-	607,117
Cultural and recreation	1,164,376	-	1,164,376
Intergovernmental	305,322	-	305,322
Other purposes	-	225,157	225,157
Unrestricted	14,079,175	353,553	14,432,728
	<u>33,996,306</u>	<u>18,889,964</u>	<u>52,886,270</u>
	<u>\$ 56,714,880</u>	<u>\$ 25,176,243</u>	<u>\$ 81,891,123</u>

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

PICKENS COUNTY, SOUTH CAROLINA
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2003

Exhibit C

	General Fund	State Road C-Fund	Other Governmental Funds	Totals
Assets				
Cash and investments	\$ 12,519,836	\$ 6,581,239	\$ 9,311,207	\$ 28,412,282
Property taxes receivable	649,791	-	538,180	1,187,971
Accounts receivable - EMS	430,970	-	-	430,970
Accounts receivable - other	113,675	-	35,229	148,904
Due from other governments	2,223,902	117,311	194,328	2,535,541
Notes receivable	65,288	-	-	65,288
Due from other funds	83,194	-	17,770	100,964
Advances to other funds	613,100	-	-	613,100
Advances to other agencies	25,406	-	-	25,406
Inventory	165,159	-	-	165,159
Prepaid expenses	44,409	-	2,553	46,962
Land held for resale	1,717,778	-	-	1,717,778
	<u>\$ 18,652,508</u>	<u>\$ 6,698,550</u>	<u>\$ 10,099,267</u>	<u>\$ 35,450,325</u>
Liabilities				
Liabilities				
Accounts payable	\$ 1,306,308	\$ 74,347	\$ 99,687	\$ 1,480,342
Accrued payroll	361,353	-	28,713	390,066
Due to other governments	58,235	-	-	58,235
Due to individuals	279,298	-	-	279,298
Advances from general fund	-	-	322,815	322,815
Deferred revenue	910,018	-	743,190	1,653,208
	<u>2,915,212</u>	<u>74,347</u>	<u>1,194,405</u>	<u>4,183,964</u>
Fund Balances				
Reserved for:				
Encumbrances	273,986	-	225,818	499,804
Advances to other funds	613,100	-	-	613,100
Advances to other agencies	25,406	-	-	25,406
Inventory	165,159	-	-	165,159
Prepaid items	44,409	-	2,553	46,962
Assets held for sale	1,717,778	-	-	1,717,778
Unreserved, reported in:				
General fund	12,897,458	-	-	12,897,458
Special revenue funds	-	-	6,228,918	6,228,918
Capital project funds	-	6,624,203	1,839,695	8,463,898
Debt service funds	-	-	607,878	607,878
	<u>15,737,296</u>	<u>6,624,203</u>	<u>8,904,862</u>	<u>31,266,361</u>
	<u>\$ 18,652,508</u>	<u>\$ 6,698,550</u>	<u>\$ 10,099,267</u>	<u>\$ 35,450,325</u>

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

PICKENS COUNTY, SOUTH CAROLINA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Exhibit C

Total Governmental Fund Balances	\$ 31,266,361
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,730,576
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Deferred charges - issuance cost	59,626
Deferred charges - refunding	87,453
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(172,453)
Deferred revenue	1,435,263
Long-term debt	<u>(20,410,520)</u>
Net Assets of Governmental Activities	<u><u>\$ 33,996,306</u></u>

PICKENS COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003

Exhibit D

	General Fund	State Road C-Fund	Other Governmental Funds	Total
Revenues				
Taxes	\$ 16,488,644	\$ -	\$ 4,144,494	\$ 20,633,138
Fees, licenses and permits	607,132	-	3,638,256	4,245,388
Intergovernmental	5,338,169	1,563,705	1,448,631	8,350,505
Charges for services	3,850,947	-	37,119	3,888,066
Fines and forfeitures	662,108	-	267,224	929,332
Investment income	214,609	83,847	32,974	331,430
Rental income	5,430	-	-	5,430
Contributions	3,941	-	12,290	16,231
Miscellaneous	82,291	-	82,721	165,012
	<u>27,253,271</u>	<u>1,647,552</u>	<u>9,663,709</u>	<u>38,564,532</u>
Expenditures				
Current				
General government	7,551,209	-	109,887	7,661,096
Public safety	9,645,041	-	2,041,896	11,686,937
Public works	4,945,246	1,756,009	1,106,618	7,807,873
Health and welfare	395,499	-	-	395,499
Culture and recreation	316,674	-	1,800,482	2,117,156
Economic development and assistance	245,912	-	-	245,912
Intergovernmental	448,314	-	999,360	1,447,674
Other	523,343	-	-	523,343
Capital outlay	736,637	-	2,255,800	2,992,437
Debt service				
Principal retirement	319,463	-	1,250,822	1,570,285
Interest and fiscal charges	134,119	-	477,017	611,136
	<u>25,261,457</u>	<u>1,756,009</u>	<u>10,041,882</u>	<u>37,059,348</u>
Revenues Over (Under) Expenditures	<u>1,991,814</u>	<u>(108,457)</u>	<u>(378,173)</u>	<u>1,505,184</u>
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	973,923	973,923
Transfer of capital asset	1,717,778	-	-	1,717,778
Operating transfers in	-	-	2,991,489	2,991,489
Operating transfers out	(3,204,032)	-	(350,486)	(3,554,518)
	<u>(1,486,254)</u>	<u>-</u>	<u>3,614,926</u>	<u>2,128,672</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	505,560	(108,457)	3,236,753	3,633,856
Fund Balances, Beginning of Year	<u>15,231,737</u>	<u>6,732,660</u>	<u>5,668,109</u>	<u>27,632,506</u>
Fund Balances, End of Year	<u>\$ 15,737,297</u>	<u>\$ 6,624,203</u>	<u>\$ 8,904,862</u>	<u>\$ 31,266,362</u>

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

PICKENS COUNTY, SOUTH CAROLINA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2003

Exhibit D

Net Change in Fund Balances - Total Governmental Funds	\$ 3,633,856
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$3,131,733 exceeded depreciation expense of \$1,609,320 in the current period.	1,522,413
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the difference between the proceeds received from sale of assets and the gain on sale.	(11,065)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	148,595
Other receivables	201,549
Donated assets	623,700
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the Statement of Net Assets.	(973,923)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,570,284
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	5,307
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Landfill closure and postclosure costs	(55,900)
Compensated absences	(6,578)
Amortization expense	(5,865)
Change in Net Assets of Governmental Activities	<u><u>\$ 6,652,373</u></u>

PICKENS COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003

Exhibit E

	Business-type Activities - Enterprise Funds		
	Public Service Commission	Airport	Total
Assets			
Current assets			
Cash	\$ 758,498	\$ -	\$ 758,498
Accounts receivable - other	88,048	81,186	169,234
Due from other governments	215,709	1,338	217,047
Prepaid expenses	1,000	447	1,447
	<u>1,063,255</u>	<u>82,971</u>	<u>1,146,226</u>
Capital assets			
Land	299,794	665,193	964,987
Buildings	372,442	539,911	912,353
Improvements other than buildings	17,959,289	2,734,000	20,693,289
Machinery and equipment	381,842	96,713	478,555
Construction in process	3,723,545	26,767	3,750,312
Less accumulated depreciation	(1,833,632)	(935,847)	(2,769,479)
	<u>20,903,280</u>	<u>3,126,737</u>	<u>24,030,017</u>
	<u>\$ 21,966,535</u>	<u>\$ 3,209,708</u>	<u>\$ 25,176,243</u>
Liabilities			
Current liabilities			
Bank overdraft	\$ -	\$ 10,688	\$ 10,688
Accounts payable	211,133	15,668	226,801
Accrued payroll	7,853	4,398	12,251
Advances from general fund	-	290,285	290,285
Notes payable - current	107,979	-	107,979
	<u>326,965</u>	<u>321,039</u>	<u>648,004</u>
Noncurrent liabilities			
Notes payable	5,610,783	-	5,610,783
Accrued compensated absences	23,680	3,812	27,492
	<u>5,634,463</u>	<u>3,812</u>	<u>5,638,275</u>
	<u>5,961,428</u>	<u>324,851</u>	<u>6,286,279</u>
Net Assets			
Invested in capital assets, net of related debt	15,184,517	3,126,737	18,311,254
Reserved for USDA	225,157	-	225,157
Unrestricted	595,433	(241,880)	353,553
	<u>16,005,107</u>	<u>2,884,857</u>	<u>18,889,964</u>
	<u>\$ 21,966,535</u>	<u>\$ 3,209,708</u>	<u>\$ 25,176,243</u>

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

PICKENS COUNTY, SOUTH CAROLINA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2003

Exhibit F

	Business-type Activities - Enterprise Funds		
	Public Service Commission	Airport	Total
Operating revenues			
Charges for services	\$ 753,771	\$ 282,362	\$ 1,036,133
Operating expenses			
Salaries and benefits	365,294	204,358	569,652
Depreciation	544,374	156,673	701,047
Other expenses	604,173	271,346	875,519
	1,513,841	632,377	2,146,218
Operating income (loss)	(760,070)	(350,015)	(1,110,085)
Nonoperating revenues (expenses)			
Interest and fiscal charges	(260,210)	-	(260,210)
Income before contributions and transfers	(1,020,280)	(350,015)	(1,370,295)
Capital contributions	2,200,550	41,095	2,241,645
Transfers			
Operating transfers in	398,235	164,794	563,029
Change in net assets	1,578,505	(144,126)	1,434,379
Total net assets - beginning of year	14,426,602	3,028,983	17,455,585
Total net assets - end of year	\$ 16,005,107	\$ 2,884,857	\$ 18,889,964

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

PICKENS COUNTY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2003

Exhibit G

	Business-type Activities - Enterprise Funds		
	Public Service Commission	Airport	Total
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$ 752,726	\$ 266,277	\$ 1,019,003
Payments to suppliers	(628,730)	(315,963)	(944,693)
Payments to employees	(363,665)	(202,638)	(566,303)
Net cash provided (used) by operations	<u>(239,669)</u>	<u>(252,324)</u>	<u>(491,993)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	<u>265,831</u>	<u>164,794</u>	<u>430,625</u>
Cash flows from capital and related financing activities:			
Capital contributions	104,400	36,679	141,079
Acquisition and construction of fixed assets	(189,627)	(26,767)	(216,394)
Principal paid on capital debt	(101,127)	-	(101,127)
Interest paid on capital debt	(260,210)	-	(260,210)
	<u>(446,564)</u>	<u>9,912</u>	<u>(436,652)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(420,402)	(77,618)	(498,020)
Cash and Cash Equivalents - Beginning of Year	<u>1,046,496</u>	<u>66,930</u>	<u>1,113,426</u>
Cash and Cash Equivalents - End of Year	<u>\$ 626,094</u>	<u>\$ (10,688)</u>	<u>\$ 615,406</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating loss	\$ (760,070)	\$ (350,015)	\$ (1,110,085)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation	544,374	156,673	701,047
Changes in current assets and liabilities			
(Increase) decrease in accounts receivable	(11,352)	(45,073)	(56,425)
(Increase) decrease in prepaid expenses	(1,000)	(347)	(1,347)
Increase (decrease) in accounts payable and accrued expenses	(11,621)	(13,562)	(25,183)
Net cash provided (used) by operations	<u>\$ (239,669)</u>	<u>\$ (252,324)</u>	<u>\$ (491,993)</u>
Noncash Investing, Capital and Financing Activities:			
Property, plant and equipment additions transferred from General Fund		<u>\$ 3,943</u>	
Property, plant and equipment additions funded by capital contributions	<u>\$ 1,880,440</u>		

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

PICKENS COUNTY, SOUTH CAROLINA
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2003

Exhibit H

	Total Agency Funds
Assets	
Cash	\$ 18,042,637
Property taxes receivable	2,259,284
Accounts receivable - other	8,510
Due from individuals	825
Due from other	1,327
	\$ 20,312,583
 Liabilities	
Accounts payable	\$ 116,978
Due to other governments or agencies	17,629,988
Due to state	54,223
Due to individuals	245,694
Due to other funds	100,964
Deferred revenue	2,164,736
	\$ 20,312,583

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

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pickens County was organized in 1868 and operates under a Council/Administrator form of government as provided in Title 14 of the 1962 Code of Laws of South Carolina as amended (Home Rule Act) and provides the following services: public safety, highways and streets, sanitation, health and social services, cultural and recreational programs, planning and zoning and general administrative services.

A. Reporting Entity

Using the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, the basic financial statements of the County present the reporting entity that consists of the primary government and those organizations for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion could cause the County's financial statements to be misleading or incomplete.

Financial accountability is defined as appointment of a voting majority of the separate organization's board and either a) the ability to impose will by the primary government, or b) the possibility that the separate organization will provide a financial benefit or impose a financial burden on the primary government.

The reporting entity has been defined to include all offices of elected officials of Pickens County, South Carolina, including Clerk of Court, Probate Court, Coroner, Auditor, Treasurer, and Sheriff, as well as various administrative office of the County.

As the financially significant political subdivisions of the County, including the school district, have the authority to hire and fire employees, establish their own operating budgets and enter into their own contracts, it is determined that the County does not significantly influence their operations. As these entities have the authority to borrow funds, establish their own budgets and are responsible for funding their own deficits, it is construed that the County does not have accountability for their fiscal matters.

Accordingly, these political subdivisions have been excluded from the County's financial statements. Additionally, property tax revenues levied and collected for certain of these excluded entities, as a result of the County's levy allocation, are not presented in these financial statements, except to the extent they remain in an agency fund at fiscal year end.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. There are three categories of funds: governmental, proprietary, and fiduciary.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expense of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - continued

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The general fund is the primary operating fund of the County and always is classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of interest and principal on the general long-term debt of the County other than debt service payments made by enterprise funds.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The reporting entity includes one major capital projects fund, the State Road C-Fund.

Proprietary Fund Types

Enterprise Funds – Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes two major enterprise funds, the Public Service Commission Fund and the Airport Fund.

Fiduciary Funds (not included in government-wide statements)

Agency Funds – Agency funds account for assets held by the County in a purely custodial capacity. The reporting entity includes eight agency funds. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. As a general rule, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. Additionally, the effect of interfund activity has been eliminated from the government-wide financial statements, except for amounts due between the County's governmental activities and business-type activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be identified and "available" means collectible within the current period or soon enough thereafter (generally not to exceed 60 days) to be used to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded when payment is due.

Those revenues susceptible to accrual are property taxes and charges for services. Revenues from federal and state grants are recorded when expenditures are incurred. Entitlements and shared revenues are recognized at the time of receipt or earlier if the susceptible to accrual criteria is met. Investment earnings are considered available when earned. Major revenues that are determined not to be susceptible to accrual because they are neither available soon enough to pay the liabilities of the current period or are not objectively measurable include fees, licenses and permits, fines and forfeitures, and miscellaneous revenues.

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the County before it has a legal claim to them, as when grant money is received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting – continued

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. Under this method, the accrual basis of accounting is utilized. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. Proprietary fund type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net assets by distinguishing operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As permitted under GAAP, the County has elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, for its proprietary funds.

The County's Fiduciary Fund Types consist of only Agency Funds, which are custodial in nature and do not involve measurement of operations. Agency Funds use the same measurement focus and basis of accounting as Governmental Fund Types, modified accrual basis of accounting.

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

D. Assets, Liabilities and Equity

Cash and Investments

The County follows the practice of pooling cash and investments of all funds with the County Treasurer except for restricted funds generally held by outside custodians and imprest funds.

Income from pooled funds of the County is allocated by the Treasurer's office to Agency Funds and the General Fund based on the Treasurer's estimate of which fund represented the income producing asset. Income of the General Fund is further allocated by the Finance Director to Special Revenue Funds which have substantial cash balances by review of earnings rates and cash balances.

For the purposes of the statement of cash flows, the County considers all short-term investments with original maturities of three months or less, when acquired, to be cash equivalents.

Investments are stated at fair value. At June 30, 2003, the fair value of the County's investments approximated cost.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Equity – continued

Receivables and Allowance for Doubtful Accounts

Accounts receivable are stated net of their allowance for uncollectible amounts. Receivables in Governmental Funds include revenue accruals that are recognized when they become measurable and available as previously defined.

Property taxes receivable represents delinquent and unpaid real and personal property tax billings less an allowance for amounts estimated to be uncollectible.

Due from Other Governments

Amounts due from state and federal grants represent reimbursable costs which have been incurred by the County but have not been reimbursed by the grantor agency. Costs under grant programs are recognized as expenditures in the period in which they are incurred by the County.

Note Receivable

The note receivable, resulting from a building agreement between Pickens County and the Appalachian Council of Governments, is stated at its net realizable amount.

Inventories and Prepaid Items

Inventory is valued at average cost and consists of supplies and auto parts held for consumption. The cost of inventory is recorded as an expense at the time individual inventory items are consumed.

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

In the governmental fund statements, inventories and prepaid items are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Land Held for Resale

The land held for resale at the Pickens County Commerce Park is recorded at the lower of cost, or its net realizable value in the General Fund.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Equity – continued

Capital Assets and Depreciation

Capital assets, which include land, buildings, improvements, machinery and equipment, and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. All capital assets are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized by governmental or business-type activities.

All reported capital assets, except land, are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging as follows: buildings, 20-40 years; improvements other than buildings (includes infrastructure), 20-40 years; and machinery and equipment, 5-10 years.

Not all of the County's infrastructure has been recorded at June 30, 2003. The County has recorded all additions to infrastructure assets made during the year ended June 30, 2003. The County's staff is still gathering information regarding infrastructure assets acquired or constructed in previous fiscal years.

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred refunding costs represent the difference between the reacquisition price and the net carrying value of the refunded debt.

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

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Equity – continued

Compensated Absences

All full-time County employees earn annual leave based on length of service. It is the County's policy to permit employees to accumulate earned but unused annual leave up to the equivalent of six work weeks. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements.

The liability has been recorded in the fund from which the employees who have accumulated unpaid annual leave are paid. The estimated liabilities include salary-related payments.

Landfill Closure and Postclosure Care Costs

On October 9, 1991, federal regulations issued by the Environmental Protection Agency (EPA) placed specific requirements pertaining to the closing of municipal solid waste landfills as well as postclosure maintenance for a period of thirty years after closure. The \$3,090,900 liability reported as landfill closure and postclosure represents estimated total costs as of June 30, 2003 based on 100 percent use of the landfill capacity. There are no current costs remaining to be recognized. The landfill capacity used to date equals 100%. Actual costs for closure and postclosure care may vary due to inflation, development in technology, or changes in laws and regulations.

Net Assets and Fund Balances

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

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

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Risk Management

The County is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County, along with other counties in the state, is insured under the South Carolina Association of Counties Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance fund. The County pays annual premiums to the Insurance Pool for its general insurance coverage. The Insurance Pool is self-sustaining through member premiums and by purchases of commercial insurance coverage on a portion of its liabilities. The Pool accumulates assets to cover risks that its members incur in their normal operations. Specifically, the Pool assumes substantially all of the risk of the above. The County continues to carry insurance for employee health and dental care under various plans.

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure 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.

G. Total Columns on Combined Statements

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial results of operations or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, certain Special Revenue Funds including Tri-County Tech Fund, Library Fund, Victim Rights Fund, Emergency Phone System Fund, and the individual Fire District Funds, and the Debt Service Fund. The balance of the Special Revenue Funds and the Capital Projects Funds are budgeted over the life of grant or project.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

A. Budgets and Budgetary Accounting - continued

The various departments of the County are bound to the appropriated expenditures by object classification codes (i.e., salaries and wages, office furniture and equipment). The County Administrator is authorized to make transfers between the object classification codes within the same department. Council may effect transfers between departments by resolution; however, the budget ordinance must be amended to effect changes in fund totals.

All annual appropriations lapse at year end. The budget reflected in these financial statements is presented as amended.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund, special revenue fund and capital projects fund. At June 30, 2003, the governmental funds have reserve for encumbrances totaling \$ 499,804.

B. Deficit Fund Balances and Budget Overruns

A fund deficit existed in the following individual fund as of June 30, 2003:

Special Revenue Fund	
Holly Springs Fire District	\$ 19,587

Any fund deficit is expected to be funded through the collection of property taxes, future grant revenues, and/or the general fund.

Budget overruns existed in the following departments as of June 30, 2003:

General government	
Circuit judge	\$ 27
Vehicle maintenance	\$ 803
Treasurer	\$ 3,106
Public safety	
County coroner	\$ 6,558
Emergency medical services	\$ 9,698

These budget overruns were funded by the General Fund.

PICKENS COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2003

NOTE 3 – DEPOSITS AND INVESTMENTS

State statute authorizes the County to invest in (1) obligations of the United States and agencies thereof; (2) general obligations of the State of South Carolina or any of its political units; (3) interest bearing accounts in savings and loan associations to the extent insured by the Federal Deposit Insurance Corporation; (4) certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the certificates of deposit and repurchase agreements so secured, including interest; and (5) deposit accounts with banking institutions insured and secured in the same manner.

Deposits and investments held by the County are categorized into three categories of credit risk:

Deposits

The County's deposits are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes deposits that are insured or collateralized with securities held by the County or its agent in the County's name. Category 2 includes uninsured and collateralized where the pledging financial institution's trust department or agent in the County's name holds securities. The County's deposits at June 30, 2003, are reported at their respective carrying values.

Investments

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or where the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments where the securities are held by a financial institution's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments where the securities are held by the counter party in the County's name, or by its trust department or agent but not in the County's name. The County's investments at June 30, 2003, are reported at their respective fair values.

Based upon the above criteria, the bank balances and carrying amounts of the County's deposits and investments at June 30, 2003 are summarized as follows:

	Categories			Carrying Amount
	1	2	3	
Bank Balance of Deposits:				
Checking accounts	\$ 45,355,605	\$ 200,933	\$ -	\$ 45,334,150
Certificates of deposit	327,919	-	-	327,919
Total deposits	<u>\$ 45,683,524</u>	<u>\$ 200,933</u>	<u>\$ -</u>	<u>\$ 45,662,069</u>

	Categories			Fair Value
	1	2	3	
Investments:				
Repurchase agreements	\$ 537,000	\$ -	\$ -	\$ 537,000
US Government securities	1,000,000	-	-	1,000,000
	<u>\$ 1,537,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,537,000</u>

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

Reconciliation of cash and investments to the Government-wide Statement of Net Assets:

Unrestricted cash, including time deposits	\$ 29,170,780
Bank overdraft	(10,688)
Petty cash	(3,660)
Agency fund cash (not included in government-wide statement)	18,042,637
	<u>\$ 47,199,069</u>

NOTE 4 - PROPERTY TAXES

The County's property taxes are levied each September (except automobiles which are annually assessed on the first day of the month the automobiles are registered) on the assessed value as of the prior December 31 for all real and personal property located in the County. Assessed values are established by the County Assessor and the South Carolina Department of Revenue at various rates ranging from 4 to 10.5 percent of the estimated market value. The assessed value as of June 30, 2003 was \$ 303,735,603. The estimated market value was \$ 6,074,712,060 making the assessed value approximately 5 percent of the estimated market value. The assessed value as of June 30, 2003 does not include merchant's inventory which is no longer taxed.

The County is permitted under the Home Rule Act to levy taxes without limit. The combined tax rate to finance general government services and principal and interest on long-term debt for the year ended June 30, 2003 was \$ 5.93 per \$ 100 of assessed value.

Taxes are due in one payment on or before January 15. A three percent penalty is added on January 16. If taxes remain unpaid on February 2, a seven percent penalty is added to the original tax. If taxes remain unpaid on the March 17 lien date, an additional 5 percent penalty is added to the original levy, totaling a 15% penalty. The County bills and collects its own property taxes and also those for all other taxing entities within the County which are accounted for in various agency funds.

Property tax revenue is recognized on the modified accrual basis of accounting in compliance with the National Council on Governmental Accounting (NCGA) Interpretation 3, "Revenue Recognition – Property Taxes." This interpretation states that property tax revenue is recorded when it becomes available. Available means due, or past due and receivable, within the current period or expected to be collected soon enough thereafter, not to exceed 60 days, to be used to pay liabilities of the current period. Net receivables estimated to be collectible more than 30 days subsequent to June 30, 2003 are reported as deferred revenues.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 4 - PROPERTY TAXES - continued

Property taxes receivable and allowances for doubtful accounts at June 30, 2003 are summarized as follows:

	General Fund	Special Revenue Funds	Debt Service Funds	Agency Funds
Gross taxes receivable	\$ 773,561	\$ 526,735	\$ 113,955	\$ 2,689,623
Allowance for doubtful accounts	(123,770)	(84,277)	(18,233)	(430,339)
	<u>\$ 649,791</u>	<u>\$ 442,458</u>	<u>\$ 95,722</u>	<u>\$ 2,259,284</u>

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2003 are summarized as follows:

	General	Special Revenue	Capital Projects	Enterprise
EMS fees	\$ 914,043	\$ -	\$ -	\$ -
Landfill	57,742	-	-	-
Sewer fees	-	-	-	88,048
Other	55,931	34,911	319	81,186
	<u>1,027,716</u>	<u>34,911</u>	<u>319</u>	<u>169,234</u>
Allowance for doubtful accounts	(483,072)	-	-	-
	<u>\$ 544,644</u>	<u>\$ 34,911</u>	<u>\$ 319</u>	<u>\$ 169,234</u>

NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Governmental Activities:				
Land	\$ 2,856,469	\$ 136,466	\$ (1,265,443)	\$ 1,727,492
Construction in progress	2,879,538	185,746	(2,879,537)	185,747
Buildings	17,524,364	1,563,688	(66,000)	19,022,052
Improvements and infrastructure	118,062	1,592,306	-	1,710,368
Machinery and equipment	12,531,242	1,084,334	(281,999)	13,333,577
	<u>35,909,675</u>	<u>4,562,540</u>	<u>(4,492,979)</u>	<u>35,979,236</u>
Less accumulated depreciation:				
Buildings	(4,876,734)	(460,867)	66,000	(5,271,601)
Improvements and infrastructure	(24,105)	(11,457)	-	(35,562)
Machinery and equipment	(8,095,311)	(1,136,997)	290,811	(8,941,497)
	<u>(12,996,150)</u>	<u>(1,609,321)</u>	<u>356,811</u>	<u>(14,248,660)</u>
Net capital assets	<u>\$ 22,913,525</u>	<u>\$ 2,953,219</u>	<u>\$ (4,136,168)</u>	<u>\$ 21,730,576</u>

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 6 – CAPITAL ASSETS – continued

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Business-type Activities:				
Land	\$ 964,987	\$ -	\$ -	\$ 964,987
Construction in progress	1,871,272	1,879,040	-	3,750,312
Buildings	912,353	-	-	912,353
Improvements and infrastructure	20,345,013	348,276	-	20,693,289
Machinery and equipment	472,759	17,743	(11,947)	478,555
	<u>24,566,384</u>	<u>2,245,059</u>	<u>(11,947)</u>	<u>26,799,496</u>
Less accumulated depreciation:				
Buildings	(264,156)	(19,369)	-	(283,525)
Improvements and infrastructure	(1,657,837)	(629,351)	-	(2,287,188)
Machinery and equipment	(158,385)	(52,328)	11,947	(198,766)
	<u>(2,080,378)</u>	<u>(701,048)</u>	<u>11,947</u>	<u>(2,769,479)</u>
Net capital assets	<u>\$ 22,486,006</u>	<u>\$ 1,544,011</u>	<u>\$ -</u>	<u>\$ 24,030,017</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 359,762
Public safety	588,877
Public works	531,116
Health and welfare	35,144
Cultural and recreation	70,106
Economic development	1,440
Intergovernmental	<u>22,875</u>
Total	<u>\$ 1,609,320</u>

Construction in progress in the Governmental activities as of June 30, 2003, represents costs incurred to date on the Pickens County Museum expansion, Easley Library building, and Orthophotos. The construction in progress in the Business-type activities as of June 30, 2003, represent costs of construction for additional capacity at the New Georges Creek wastewater treatment plant and the Crayton Creek interceptor project.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 7 - LONG-TERM DEBT

A. Governmental Activities Debt

Changes in the County's long-term debt for its Governmental Activities is as follows:

	Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
General obligation bonds	\$ 7,280,000	\$ -	\$ (885,000)	\$ 6,395,000
Special source revenue bonds	1,956,193	-	(227,997)	1,728,196
Capital leases	1,302,599	973,923	(335,212)	1,941,310
Notes payable	6,447,248	-	(121,259)	6,325,989
Compensated absences	925,453	6,578	-	932,031
Landfill closure and postclosure	3,035,000	55,900	-	3,090,900
Total	\$ 20,946,493	\$ 1,036,401	\$ (1,569,468)	\$ 20,413,426

General obligation (general purpose) bonds payable at June 30, 2003 are comprised of the following individual issues:

\$4,100,000 1995 general obligation bonds due in annual installments of \$125,000 to \$475,000 through March 1, 2011; interest at 4.25% to 6.25%	\$ 3,025,000
\$3,690,000 2002 general obligation refunding bond due in annual installments of \$320,000 to \$390,000 through March 1, 2013; interest at 2.30% to 4.30%.	<u>3,370,000</u>
	6,395,000
Less current portion	<u>620,000</u>
Long-term portion outstanding	<u>\$ 5,775,000</u>

PICKENS COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2003

NOTE 7 - LONG-TERM DEBT – Continued

A. Governmental Activities Debt - continued

Annual requirements to amortize all general obligation bonds outstanding as of June 30, 2003 are as follows:

Year Ending June 30	Principal	Interest	Totals
2004	\$ 620,000	\$ 280,498	\$ 900,498
2005	670,000	254,685	924,685
2006	600,000	224,385	824,385
2007	665,000	196,773	861,773
2008	710,000	166,423	876,423
2009 to 2013	3,130,000	229,850	3,359,850
	<u>\$ 6,395,000</u>	<u>\$ 1,352,614</u>	<u>\$ 7,747,614</u>

Special source revenue bonds at June 30, 2003 are comprised of the following individual issues:

\$925,000 special source revenue bonds due in annual installments of \$117,717 through April 2009; interest at 4.89%	\$ 602,582
\$1,675,000 special source revenue bonds due in annual installments of \$234,305 through April 2009; interest at 6.99%	<u>1,125,614</u>
	1,728,196
Less current portion	<u>243,146</u>
Long-term portion outstanding	<u>\$ 1,485,050</u>

Annual requirements to amortize all special source revenue bonds outstanding as of June 30, 2003 are as follows:

Year Ending June 30	Principal	Interest	Totals
2004	\$ 243,146	\$ 108,876	\$ 352,022
2005	258,803	93,219	352,022
2006	275,177	76,845	352,022
2007	292,613	59,409	352,022
2008	311,072	40,950	352,022
2009 to 2010	347,385	21,067	368,452
	<u>\$ 1,728,196</u>	<u>\$ 400,366</u>	<u>\$ 2,128,562</u>

PICKENS COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2003

NOTE 7 - LONG-TERM DEBT – Continued

A. Governmental Activities Debt - continued

Capital leases payable at June 30, 2003 are comprised of the following individual leases:

\$476,705 capital lease to an equipment vendor payable in semi-annual installments of principal and interest of \$44,573 through June 2005 at 5.68%; collateralized by equipment	\$ 157,669
\$549,192 capital lease to an equipment vendor payable in annual installments of principal and interest of \$72,201 through November 2009 at 5.196%; collateralized by equipment	413,114
\$51,573 capital lease to an equipment vendor payable in annual installments of principal and interest of \$11,593 through November 2004 at 6.085%; collateralized by equipment	21,230
\$466,839 capital lease to an equipment vendor payable in semiannual installments of principal and interest of \$50,779 through February 2007 at 3.580%; collateralized by equipment	375,374
\$154,287 capital lease to an equipment vendor payable in annual installments of principal and interest of \$18,824 through June 2013 at 3.79%; collateralized by equipment	154,287
\$819,636 capital lease to BB&T payable in annual installments of principal and interest of \$100,000 through May 2013 at 3.79%; collateralized by the real property.	<u>819,636</u>
	1,941,310
Less current portion	<u>312,712</u>
Long-term portion outstanding	<u>\$ 1,628,598</u>

PICKENS COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2003

NOTE 7 - LONG-TERM DEBT – Continued

A. Governmental Activities Debt - continued

Annual requirements to amortize all capital leases outstanding as of June 30, 2003 are as follows:

Year Ending June 30	Principal	Interest	Totals
2004	\$ 312,712	\$ 80,610	\$ 393,322
2005	317,336	66,314	383,650
2006	239,428	53,156	292,584
2007	249,180	43,403	292,583
2008	156,873	34,152	191,025
2009 to 2013	665,781	72,742	738,523
	<u>\$ 1,941,310</u>	<u>\$ 350,377</u>	<u>\$ 2,291,687</u>

The gross amount of fixed assets recorded under capital leases of June 30, 2003 was \$2,379,348.

Notes payable recorded in the Governmental Funds at June 30, 2003 are comprised of the following individual notes:

\$3,256,865 note to the SC Water Pollution Control Revolving Fund payable in quarterly installments of principal and interest of \$59,336 through October 2019 at 4.0%	\$ 2,825,989
\$3,500,000 intergovernmental contract between Pickens County and Western Carolina Regional Sewer Authority to make monthly payments of principal and interest of \$19,067 beginning January 2004 until October 2023 at 4.0%.	<u>3,500,000</u>
	6,325,989
Less current portion	<u>170,959</u>
Long-term portion outstanding	<u>\$ 6,155,030</u>

PICKENS COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2003

NOTE 7 - LONG-TERM DEBT – Continued

A. Governmental Activities Debt - continued

Annual requirements to amortize all notes payable outstanding as of June 30, 2003 are as follows:

Year Ending June 30	Principal	Interest	Totals
2004	\$ 170,959	\$ 180,790	\$ 351,749
2005	223,586	242,568	466,154
2006	232,677	233,477	466,154
2007	242,138	224,016	466,154
2008	251,983	214,171	466,154
2009 to 2013	1,422,197	908,576	2,330,773
2014 to 2018	1,735,824	594,947	2,330,771
2019 to 2023	1,163,483	277,243	1,440,726
2024 to 2028	883,142	14,179	897,321
	<u>\$ 6,325,989</u>	<u>\$ 2,889,967</u>	<u>\$ 9,215,956</u>

B. Business-type Activities Debt

Changes in the County's long-term debt for its Business-type Activities is as follows:

	Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
Notes payable	<u>\$ 5,824,057</u>	<u>\$ -</u>	<u>\$ (105,295)</u>	<u>\$ 5,718,762</u>

Notes payable recorded in the Public Service Commission Enterprise Fund at June 30, 2003 are comprised of the following individual notes:

\$1,988,200 USDA Rural Development note payable in monthly installments of principal and interest of \$9,345 through October 2039 at 4.75%	\$ 1,936,311
\$3,605,700 USDA Rural Development note payable in monthly installments of principal and interest of \$16,947 through October 2039 at 4.75%	3,511,618
\$400,000 non-interest bearing note to the Blue Ridge Electric Cooperative payable in monthly installments of \$4,167 through November 2008.	<u>270,833</u>
	5,718,762
Less current portion	<u>107,979</u>
Net long-term	<u>\$ 5,610,783</u>

PICKENS COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2003

NOTE 7 - LONG-TERM DEBT – Continued

B. Business-type Activities Debt - continues

Annual requirements to amortize all notes payable outstanding as of June 30, 2003 are as follows:

Year Ending June 30	Principal	Interest	Totals
2004	\$ 107,979	\$ 257,525	\$ 365,504
2005	110,794	254,710	365,504
2006	113,745	251,759	365,504
2007	116,840	248,664	365,504
2008	120,084	245,420	365,504
2009 to 2013	425,719	1,172,634	1,598,353
2014 to 2018	513,185	1,064,335	1,577,520
2019 to 2023	650,452	927,068	1,577,520
2024 to 2028	824,435	753,085	1,577,520
2029 to 2033	1,044,956	532,564	1,577,520
2034 to 2038	1,324,462	253,058	1,577,520
2039 to 2044	366,111	11,233	377,344
	<u>\$ 5,718,762</u>	<u>\$ 5,972,055</u>	<u>\$ 11,690,817</u>

Under the note payable agreements with the USDA Rural Development, the Public Service Commission is required to maintain certain reservations of retained earnings. The reserves at June 30, 2003 were:

Reserved for debt service	\$ 112,579
Reserved for depreciation funding	56,289
Reserved for contingency fund	<u>56,289</u>
Total	<u>\$ 225,157</u>

NOTE 8 – CAPITAL CONTRIBUTIONS

Pursuant to the implementation of GASB Statement No. 34, contributed capital for the year ended June 30, 2003 has been recognized in the Government-wide Financial Statements and Proprietary Funds as non-operating revenue. For the Proprietary (Enterprise) Funds, contributed capital during the year ended June 30, 2003 is as follows:

	Public Service Commission	Airport	Totals
Intergovernmental grants	\$ 320,109	\$ 41,095	\$ 361,204
Debt financing	1,532,164	-	1,532,164
Transfer of capital assets	348,277	-	348,277
	<u>\$ 2,200,550</u>	<u>\$ 41,095</u>	<u>\$ 2,241,645</u>

PICKENS COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2003

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

In the Government-wide Statement of Net Assets, interfund receivables and payables (internal balances) between Governmental Activities and Business-type Activities have been eliminated. In the Governmental and Proprietary Funds financial statements, interfund receivables and payables at June 30, 2003 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 83,194	\$ -
Special Revenue Funds:		
Victim Rights	17,770	-
Agency Funds:		
Magistrates Fund	-	100,964
	\$ 100,964	\$ 100,964

Advances from the General Fund to various Fire Departments totaling \$322,815 and the Airport Enterprise Fund of \$290,285 are reported separately on the Governmental and Proprietary Funds financial statements.

NOTE 10 - EMPLOYEE PENSION PLANS

Eligible employees of the County are participants in the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS), both of which are cost-sharing multiple-employer defined benefit plans administered by the Retirement Division of the State Budget and Control Board. SCRS and PORS provide retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits to plan members and beneficiaries. The plans' provisions are established under Title 9 of the South Carolina Code of laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and the South Carolina Police Officers Retirement system are issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

SCRS plan members are required to contribute 6% of their annual covered salary while PORS plan members are required to contribute as follows: Class I - \$21 per month and Class II – 6.5% of their annual covered salary. The County is required to contribute an actuarially determined rate. The current rates for the SCRS, PORS Class I and PORS Class II are 6.7%, 7.8% and 10.3% of annual covered payroll, respectively. In addition to the preceding rates, participating employers contribute .15% and .2% of covered payroll to a group life insurance benefit for their SCRS and their PORB participants, respectively.

PICKENS COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2003

NOTE 10 - EMPLOYEE PENSION PLANS - continued

Additionally, participating employers contribute .2% of covered payroll to provide an accidental death benefit for their PORS participants. The contribution requirements of plan members and the County are established under Title 9 of the South Carolina Code of Laws. The County's contributions to SCRS and the PORS (average membership of 507) are summarized as follows:

Year Ended	Employer		Employee	
	SCRS	PORS	SCRS	PORS
June 30, 2003	\$ 748,849	\$ 392,218	\$ 638,490	\$ 193,837
June 30, 2002	\$ 701,860	\$ 376,189	\$ 605,200	\$ 189,972
June 30, 2001	\$ 656,735	\$ 365,186	\$ 567,364	\$ 217,268

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

NOTE 11 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In accordance with the provisions of the County personnel manual, retired employees are eligible for the same health care benefits as full-time employees at substantially no cost to the individual until age 65. As with employees, there are additional charges for dependent coverage. Benefits provided include health, dental, and life insurance coverage.

As of year end, there were 18 employees retired and under the age of 65 that were receiving full premium-coverage benefits. For the year ended June 30, 2003, the County incurred net expenditures for the plan of approximately \$ 37,990, financed on a pay-as-you go basis.

NOTE 12 – CONTINGENCIES

In the normal course of operations, the County participates and receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Such audits could result in potential liability for reimbursement or refund of grant monies to the grantor agencies. The County's management believes that any liability for reimbursement would be immaterial.

The County is involved in several pending lawsuits. The attorneys representing the County are of the opinion that all suits are covered by applicable insurance and that none of the claims, if any, would exceed such coverage. In the event of an unfavorable outcome, any resulting liability would be covered by the State of South Carolina Insurance Reserve Fund.

PICKENS COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2003

NOTE 13 – CONTRACTS AND COMMITMENTS

On June 21, 1994, Pickens County entered into an agreement with Anderson and Oconee Counties for the construction of a joint, multi-county regional solid waste disposal and resource recovery research facility. The projected total cost of the project is \$15.15 million and Pickens County has committed to provide 31.66% of the cost.

As of June 30, 2003, the County had outstanding contracts totaling \$1,837,006 for Orthophotos, the Crayton Creek interceptor project, and the Airport Taxi-lane development project.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to June 30, 2003, the Pickens County Council approved the construction bid and design of the new Easley Headquarters Library Building. The total construction budget is \$6,082,407, which is being financed through the issuance of a general obligation bond in the amount of \$6,700,000

On August 11, 2003, a lease purchase agreement for \$1,000,147 for equipment was approved by the Pickens County Council.

The purchase of 3.998 acres of land to expand the Bes Pac Recycling Center at a cost of \$50,000 was approved by Pickens County Council on September 3, 2003.

NOTE 15 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITIES

As of and for the year ended June 30, 2003, the County implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 – *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*
- No. 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues – An Amendment of GASB No. 33.*
- No. 37 - *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretations

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

PICKENS COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2003

NOTE 15 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITIES - continued

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. The more significant changes affecting the County as required by the new standards include:

- Management’s discussion and analysis.
- Basic financial statements that include:
 - Government-wide financial statements that split County programs between governmental and business-type activities.
 - Fund financial statements, consisting of a series of statements that focus on the County’s major governmental funds and enterprise funds; nonmajor funds are presented in total in one column.
 - Schedules to reconcile the fund financial statements to the government-wide financial statements.
 - Notes to the basic financial statements.

Beginning fund balances as of June 30, 2002 were restated as follows:

Governmental fund balance as of June 30, 2002	\$ 27,378,592
GASB No. 34 adjustments:	
Capital assets	32,842,204
Accumulated depreciation	(12,996,150)
Long-term debt	(20,944,071)
Accrued interest payable	(184,272)
Deferred charges	161,546
Deferred revenue	1,085,118
Accrued interest receivable	966
Net assets, Governmental Activities, June 30, 2002 (restated)	<u>\$ 27,343,933</u>

REQUIRED SUPPLEMENTAL INFORMATION

PICKENS COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2003

Schedule 1

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 16,552,453	\$16,552,453	\$16,488,644	\$ (63,809)
Fees, licenses and permits	669,500	669,500	607,132	(62,368)
Intergovernmental	5,377,801	5,389,628	5,338,169	(51,459)
Charges for services	3,122,424	3,351,969	3,850,947	498,978
Fines and forfeitures	500,000	500,000	662,108	162,108
Investment income	288,759	288,759	214,609	(74,150)
Rental income	2,000	2,000	5,430	3,430
Contributions	-	4,500	3,941	(559)
Miscellaneous	77,000	77,000	82,291	5,291
	<u>26,589,937</u>	<u>26,835,809</u>	<u>27,253,271</u>	<u>417,462</u>
Expenditures				
Current				
General government				
County council	181,377	187,377	186,749	628
County attorney	62,200	187,200	65,716	121,484
State solicitor	621,311	621,311	596,037	25,274
Public defender	39,131	39,131	36,458	2,673
Probate judge	216,668	216,668	212,300	4,368
Register of deeds	307,073	307,073	296,659	10,414
Clerk of court	537,813	537,813	503,515	34,298
Administrator	352,516	352,516	336,569	15,947
Purchasing	156,894	156,894	155,184	1,710
Finance	313,303	313,303	309,439	3,864
Building maintenance	1,040,112	1,107,035	1,098,545	8,490
Human resources	204,998	204,998	187,906	17,092
Delinquent tax	204,358	204,358	202,686	1,672
Circuit judge	1,200	1,200	1,227	(27)
Treasurer	330,596	330,596	333,702	(3,106)
Auditor	282,822	282,915	269,636	13,279
Tax assessor	741,137	748,365	733,548	14,817
Board of appeals	2,000	2,000	700	1,300
GIS mapping	230,001	230,001	205,646	24,355
Registration and elections	165,162	166,162	156,171	9,991
Planning commission	135,810	135,810	121,374	14,436
Information services	837,883	846,566	681,004	165,562
County magistrates	477,199	482,772	467,656	15,116
Vehicle maintenance	391,979	391,979	392,782	(803)
	<u>7,833,543</u>	<u>8,054,043</u>	<u>7,551,209</u>	<u>502,834</u>
Public safety				
Sheriff's department	5,123,387	5,065,725	4,970,455	95,270
Law enforcement center	221,250	288,750	277,326	11,424
Emergency preparedness	147,130	159,074	150,060	9,014
County coroner	104,919	104,919	111,477	(6,558)
Prison camp	779,065	834,065	776,472	57,593
Emergency medical services	2,887,278	2,887,278	2,896,976	(9,698)
Building codes	388,283	388,283	365,968	22,315
County radio system	19,980	19,980	19,654	326
E-911	86,682	86,682	76,653	10,029
	<u>9,757,974</u>	<u>9,834,756</u>	<u>9,645,041</u>	<u>189,715</u>

PICKENS COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2003

Schedule 1

	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)
Public works				
Roads and bridges	1,792,914	1,792,914	1,760,117	32,797
Solid waste department	1,738,026	1,881,307	1,872,566	8,741
Recycling department	1,362,448	1,150,577	1,125,468	25,109
Environmental services	193,473	193,473	187,095	6,378
	<u>5,086,861</u>	<u>5,018,271</u>	<u>4,945,246</u>	<u>73,025</u>
Health and welfare				
Health department	51,728	51,728	48,085	3,643
Animal control	174,152	174,152	164,602	9,550
Veterans affairs	121,552	121,552	110,564	10,988
Storm water management	76,150	76,150	67,248	8,902
Pickens Meals on Wheels	5,000	5,000	5,000	-
	<u>428,582</u>	<u>428,582</u>	<u>395,499</u>	<u>33,083</u>
Culture and recreation				
Cultural commission	138,685	138,685	136,559	2,126
County recreation	272,745	-	-	-
Parks department	177,704	178,025	162,115	15,910
Pickens Heritage Corridor	18,000	18,000	18,000	-
	<u>607,134</u>	<u>334,710</u>	<u>316,674</u>	<u>18,036</u>
Economic development and assistance				
Economic development	240,476	264,900	245,912	18,988
Intergovernmental				
Legislative delegation	23,354	23,354	17,415	5,939
Seniors Unlimited	20,000	20,000	20,000	-
Humane Society	15,000	15,000	15,000	-
Department of Social Services	49,995	49,995	40,957	9,038
Mental health center	20,000	20,000	20,000	-
Medically indigent fund	247,478	247,478	247,478	-
South Carolina Appalachian Council of Governments	45,593	45,593	45,593	-
Clemson Extension	18,400	18,800	18,339	461
Soil and Water Conservation	23,229	23,729	23,532	197
	<u>463,049</u>	<u>463,949</u>	<u>448,314</u>	<u>15,635</u>
Other				
Tort insurance	270,000	270,000	266,353	3,647
Contingency	275,000	255,959	178,618	77,341
Non-departmental	72,025	82,077	78,372	3,705
	<u>617,025</u>	<u>608,036</u>	<u>523,343</u>	<u>84,693</u>
Capital outlay	1,410,049	819,040	736,637	82,403
Debt service				
Principal retirement	229,001	319,463	319,463	-
Interest and fiscal charges	123,021	134,119	134,119	-
	<u>352,022</u>	<u>453,582</u>	<u>453,582</u>	<u>-</u>
Total Expenditures	<u>26,796,715</u>	<u>26,279,869</u>	<u>25,261,457</u>	<u>1,018,412</u>
Revenues Over (Under) Expenditures	<u>(206,778)</u>	<u>555,940</u>	<u>1,991,814</u>	<u>1,435,874</u>

PICKENS COUNTY, SOUTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2003

Schedule 1

	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfer of capital assets	-	-	1,717,778	1,717,778
Operating transfers out	(1,423,455)	(3,070,787)	(3,204,032)	(133,245)
	<u>(1,423,455)</u>	<u>(3,070,787)</u>	<u>(1,486,254)</u>	<u>1,584,533</u>
Revenues and Other Financing Sources Over (Under)				
Expenditures and Other Financing Uses	<u>\$ (1,630,233)</u>	<u>\$ (2,514,847)</u>	505,560	<u>\$ 3,020,407</u>
Fund Balances, Beginning of Year			<u>15,231,737</u>	
Fund Balances, End of Year			<u>\$ 15,737,297</u>	

SUPPLEMENTAL INFORMATION

PICKENS COUNTY, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2003

Schedule 2

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 6,888,958	\$ 607,253	\$ 1,814,996	\$ 9,311,207
Property taxes receivable	442,458	95,722	-	538,180
Accounts receivable - other	34,910	-	319	35,229
Due from other governments	144,328	-	50,000	194,328
Due from other funds	17,770	-	-	17,770
Prepaid expenses	2,553	-	-	2,553
	<u>\$ 7,530,977</u>	<u>\$ 702,975</u>	<u>\$ 1,865,315</u>	<u>\$ 10,099,267</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 74,067	\$ -	\$ 25,620	\$ 99,687
Accrued payroll	28,713	-	-	28,713
Advances from general fund	322,815	-	-	322,815
Deferred revenue	648,093	95,097	-	743,190
	<u>1,073,688</u>	<u>95,097</u>	<u>25,620</u>	<u>1,194,405</u>
Fund Balance				
Reserved for encumbrances	225,818	-	-	225,818
Reserved for prepaid items	2,553	-	-	2,553
Reserved for debt service	-	607,878	-	607,878
Designated for future expenditures	616,503	-	-	616,503
Undesignated	5,612,415	-	1,839,695	7,452,110
	<u>6,457,289</u>	<u>607,878</u>	<u>1,839,695</u>	<u>8,904,862</u>
	<u>\$ 7,530,977</u>	<u>\$ 702,975</u>	<u>\$ 1,865,315</u>	<u>\$ 10,099,267</u>

PICKENS COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2003

Schedule 3

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 2,276,427	\$ 1,868,067	\$ -	\$ 4,144,494
Fees, licenses and permits	3,638,256	-	-	3,638,256
Intergovernmental	1,136,776	-	311,855	1,448,631
Charges for services	37,119	-	-	37,119
Fines and forfeitures	267,224	-	-	267,224
Investment income	24,661	-	8,313	32,974
Contributions	12,290	-	-	12,290
Miscellaneous	82,721	-	-	82,721
	<u>7,475,474</u>	<u>1,868,067</u>	<u>320,168</u>	<u>9,663,709</u>
Expenditures				
General government	109,887	-	-	109,887
Public safety	2,041,896	-	-	2,041,896
Public works	1,106,618	-	-	1,106,618
Culture and recreation	1,800,482	-	-	1,800,482
Intergovernmental	999,360	-	-	999,360
Capital outlay	546,194	-	1,709,606	2,255,800
Debt service				
Principal retirement	86,610	1,164,212	-	1,250,822
Interest and fiscal charges	14,129	462,888	-	477,017
	<u>6,705,176</u>	<u>1,627,100</u>	<u>1,709,606</u>	<u>10,041,882</u>
Revenues Over (Under) Expenditures	<u>770,298</u>	<u>240,967</u>	<u>(1,389,438)</u>	<u>(378,173)</u>
Other Financing Sources (Uses)				
Proceeds from capital lease	154,287	-	819,636	973,923
Operating transfers in	1,600,357	-	1,391,132	2,991,489
Operating transfers out	(132,919)	(217,567)	-	(350,486)
	<u>1,621,725</u>	<u>(217,567)</u>	<u>2,210,768</u>	<u>3,614,926</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,392,023	23,400	821,330	3,236,753
Fund Balances, Beginning of Year	<u>4,065,266</u>	<u>584,478</u>	<u>1,018,365</u>	<u>5,668,109</u>
Fund Balances, End of Year	<u>\$ 6,457,289</u>	<u>\$ 607,878</u>	<u>\$ 1,839,695</u>	<u>\$ 8,904,862</u>

PICKENS COUNTY, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2003

	Tri-County Tech	Fixed Nuclear Fund	Sheriff Special Fund	Library Fund	Victim Rights	Grants Fund	Emergency Phone System	Fire Districts
Assets								
Cash and investments	\$ 252,684	\$ 14,308	\$ 640,886	\$ 470,877	\$ 76,629	\$ 87,108	\$ 123,967	\$ 1,672,735
Property taxes receivable	51,197	-	-	73,273	-	-	-	317,988
Accounts receivable - other	-	-	653	23	-	-	21,071	3,589
Due from other governments	1,441	-	-	-	23,884	79,792	-	1,900
Due from other funds	-	-	-	-	17,770	-	-	-
Prepaid expenses	-	-	-	124	-	-	2,429	-
	<u>\$ 305,322</u>	<u>\$ 14,308</u>	<u>\$ 641,539</u>	<u>\$ 544,297</u>	<u>\$ 118,283</u>	<u>\$ 166,900</u>	<u>\$ 147,467</u>	<u>\$ 1,996,212</u>

Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 451	\$ -	\$ 22,016	\$ 3,780	\$ 21,784	\$ 129	\$ 13,461
Accrued payroll	-	374	-	21,117	3,036	3,363	823	-
Advances from general fund	-	-	-	-	-	-	-	322,815
Deferred revenue	54,263	-	-	77,757	-	141,753	-	308,040
	<u>54,263</u>	<u>825</u>	<u>-</u>	<u>120,890</u>	<u>6,816</u>	<u>166,900</u>	<u>952</u>	<u>644,316</u>

Fund Balance								
Reserved for encumbrances	-	-	-	927	-	-	-	224,891
Reserved for prepaid items	-	-	-	124	-	-	2,429	-
Designated for future expenditures	126,407	-	-	30,000	10,096	-	-	-
Undesignated	124,652	13,483	641,539	392,356	101,371	-	144,086	1,127,005
	<u>251,059</u>	<u>13,483</u>	<u>641,539</u>	<u>423,407</u>	<u>111,467</u>	<u>-</u>	<u>146,515</u>	<u>1,351,896</u>
	<u>\$ 305,322</u>	<u>\$ 14,308</u>	<u>\$ 641,539</u>	<u>\$ 544,297</u>	<u>\$ 118,283</u>	<u>\$ 166,900</u>	<u>\$ 147,467</u>	<u>\$ 1,996,212</u>

PICKENS COUNTY, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2003

	Law							Totals
	Enforcement Block Grants	Accommodations Tax Fund	Museum Restricted Resources	Road Fee	Tourism Development Fee	Recreation Capital	Public Safety Capital Replacement	
Assets								
Cash and investments	\$ 66,280	\$ 64,989	\$ 69,773	\$ 1,469,380	\$ 481,689	\$ 326,838	\$ 1,070,815	\$ 6,888,958
Property taxes receivable	-	-	-	-	-	-	-	442,458
Accounts receivable - other	-	-	-	-	9,574	-	-	34,910
Due from other governments	-	37,311	-	-	-	-	-	144,328
Due from other funds	-	-	-	-	-	-	-	17,770
Prepaid expenses	-	-	-	-	-	-	-	2,553
	<u>\$ 66,280</u>	<u>\$ 102,300</u>	<u>\$ 69,773</u>	<u>\$ 1,469,380</u>	<u>\$ 491,263</u>	<u>\$ 326,838</u>	<u>\$ 1,070,815</u>	<u>\$ 7,530,977</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ 1,556	\$ -	\$ 10,890	\$ -	\$ 74,067
Accrued payroll	-	-	-	-	-	-	-	28,713
Advances from general fund	-	-	-	-	-	-	-	322,815
Deferred revenue	66,280	-	-	-	-	-	-	648,093
	<u>66,280</u>	<u>-</u>	<u>-</u>	<u>1,556</u>	<u>-</u>	<u>10,890</u>	<u>-</u>	<u>1,073,688</u>
Fund Balance								
Reserved for encumbrances	-	-	-	-	-	-	-	225,818
Reserved for prepaid items	-	-	-	-	-	-	-	2,553
Designated for future expenditures	-	-	-	-	450,000	-	-	616,503
Undesignated	-	102,300	69,773	1,467,824	41,263	315,948	1,070,815	5,612,415
	<u>-</u>	<u>102,300</u>	<u>69,773</u>	<u>1,467,824</u>	<u>491,263</u>	<u>315,948</u>	<u>1,070,815</u>	<u>6,457,289</u>
	<u>\$ 66,280</u>	<u>\$ 102,300</u>	<u>\$ 69,773</u>	<u>\$ 1,469,380</u>	<u>\$ 491,263</u>	<u>\$ 326,838</u>	<u>\$ 1,070,815</u>	<u>\$ 7,530,977</u>

PICKENS COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2003

	Tri-County Tech	Fixed Nuclear Fund	Sheriff Special Fund	Library Fund	Victim Rights	Grants Fund	Emergency Phone System	Fire Districts
Revenues								
Taxes	\$ 933,309	\$ -	\$ -	\$ 1,343,118	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	52,835	-	171,005	23,884	515,737	197,119	44,394
Fees, licenses and permits	-	-	-	-	-	-	314,701	1,371,939
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	123,729	-	143,495	-	-	-
Investment income	-	-	1,869	23	-	-	-	18,535
Contributions	-	-	1,458	10,832	-	-	-	-
Miscellaneous	-	-	-	61,995	-	-	-	2,726
	<u>933,309</u>	<u>52,835</u>	<u>127,056</u>	<u>1,586,973</u>	<u>167,379</u>	<u>515,737</u>	<u>511,820</u>	<u>1,437,594</u>
Expenditures								
General government	-	-	-	-	-	109,887	-	-
Public safety	-	63,285	60,342	-	188,548	153,632	203,567	1,327,386
Public works	-	-	-	-	-	62,340	-	-
Culture and recreation	-	-	-	1,527,085	-	-	-	-
Intergovernmental	944,690	-	-	-	-	54,670	-	-
Capital outlay	-	-	11,150	-	23,525	107,393	392,632	-
Debt service	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	86,610	-
Interest and fiscal charges	-	-	-	-	-	-	14,129	-
	<u>944,690</u>	<u>63,285</u>	<u>71,492</u>	<u>1,527,085</u>	<u>212,073</u>	<u>487,922</u>	<u>696,938</u>	<u>1,327,386</u>
	<u>(11,381)</u>	<u>(10,450)</u>	<u>55,564</u>	<u>59,888</u>	<u>(44,694)</u>	<u>27,815</u>	<u>(185,118)</u>	<u>110,208</u>
Revenues Over (Under) Expenditures								
Other Financing Sources (Uses)								
Proceeds from capital lease	-	-	-	-	-	-	-	154,287
Operating transfers in	-	8,024	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	(25,000)	-	-
	-	8,024	-	-	-	(25,000)	-	154,287
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(11,381)</u>	<u>(2,426)</u>	<u>55,564</u>	<u>59,888</u>	<u>(44,694)</u>	<u>2,815</u>	<u>(185,118)</u>	<u>264,495</u>
Fund Balances, Beginning of Year	<u>262,440</u>	<u>15,909</u>	<u>585,975</u>	<u>363,519</u>	<u>156,161</u>	<u>(2,815)</u>	<u>331,633</u>	<u>1,087,401</u>
Fund Balances, End of Year	<u>\$ 251,059</u>	<u>\$ 13,483</u>	<u>\$ 641,539</u>	<u>\$ 423,407</u>	<u>\$ 111,467</u>	<u>\$ -</u>	<u>\$ 146,515</u>	<u>\$ 1,351,896</u>

PICKENS COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2003

	Law Enforcement Block Grants	Accommodations Tax Fund	Museum Restricted Resources	Road Fee	Tourism Development Fee	Recreation Capital	Public Safety Capital Replacement	Totals
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,276,427
Intergovernmental	56,630	75,172	-	-	-	-	-	1,136,776
Fees, licenses and permits	-	-	-	1,833,192	118,424	-	-	3,638,256
Charges for services	-	-	37,119	-	-	-	-	37,119
Fines and forfeitures	-	-	-	-	-	-	-	267,224
Investment income	-	-	-	-	4,234	-	-	24,661
Contributions	-	-	-	-	-	-	-	12,290
Miscellaneous	-	-	-	18,000	-	-	-	82,721
	<u>56,630</u>	<u>75,172</u>	<u>37,119</u>	<u>1,851,192</u>	<u>122,658</u>	<u>-</u>	<u>-</u>	<u>7,475,474</u>
Expenditures								
General government	-	-	-	-	-	-	-	109,887
Public safety	45,136	-	-	-	-	-	-	2,041,896
Public works	-	-	-	1,044,278	-	-	-	1,106,618
Culture and recreation	-	50,129	17,698	-	-	205,570	-	1,800,482
Intergovernmental	-	-	-	-	-	-	-	999,360
Capital outlay	11,494	-	-	-	-	-	-	546,194
Debt service	-	-	-	-	-	-	-	86,610
Principal retirement	-	-	-	-	-	-	-	14,129
Interest and fiscal charges	-	-	-	-	-	-	-	6,705,176
	<u>56,630</u>	<u>50,129</u>	<u>17,698</u>	<u>1,044,278</u>	<u>-</u>	<u>205,570</u>	<u>-</u>	<u>6,705,176</u>
Revenues Over (Under) Expenditures	-	25,043	19,421	806,914	122,658	(205,570)	-	770,298
Other Financing Sources (Uses)								
Proceeds from capital lease	-	-	-	-	-	-	-	154,287
Operating transfers in	-	-	-	-	-	521,518	1,070,815	1,600,357
Operating transfers out	-	(27,509)	-	(80,410)	-	-	-	(132,919)
	<u>-</u>	<u>(27,509)</u>	<u>-</u>	<u>(80,410)</u>	<u>-</u>	<u>521,518</u>	<u>1,070,815</u>	<u>1,621,725</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(2,466)	19,421	726,504	122,658	315,948	1,070,815	2,392,023
Fund Balances, Beginning of Year	-	104,766	50,352	741,320	368,605	-	-	4,065,266
Fund Balances, End of Year	\$ -	\$ 102,300	\$ 69,773	\$ 1,467,824	\$ 491,263	\$ 315,948	\$ 1,070,815	\$ 6,457,289

PICKENS COUNTY, SOUTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 TRI-COUNTY TECH FUND
 YEAR ENDED JUNE 30, 2003

Schedule 6

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Taxes	\$ 932,208	\$ 933,309	\$ 1,101
	<u>932,208</u>	<u>933,309</u>	<u>1,101</u>
Expenditures			
Current			
Intergovernmental	944,690	944,690	-
	<u>944,690</u>	<u>944,690</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>\$ (12,482)</u>	<u>\$ (11,381)</u>	<u>\$ 1,101</u>
Fund Balance, Beginning of Year		<u>262,440</u>	
Fund Balance, End of Year		<u>\$ 251,059</u>	

PICKENS COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LIBRARY FUNDS
YEAR ENDED JUNE 30, 2003

Schedule 7

	Original Budget	Final Budget	Operations	State Aid	Totals (Memorandum Only)	Variance with Final Budget Positive (Negative)
Revenues						
Taxes	\$ 1,337,022	\$ 1,337,022	\$ 1,343,118	\$ -	\$ 1,343,118	\$ 6,096
Intergovernmental	150,000	191,410	41,410	129,595	171,005	(20,405)
Investment income	-	-	23	-	23	23
Contributions	-	15,000	10,832	-	10,832	(4,168)
Miscellaneous	55,000	55,000	61,995	-	61,995	6,995
	<u>1,542,022</u>	<u>1,598,432</u>	<u>1,457,378</u>	<u>129,595</u>	<u>1,586,973</u>	<u>(11,459)</u>
Expenditures						
Current						
Salaries	1,096,147	1,096,147	1,070,379	-	1,070,379	25,768
Office supplies	30,000	29,650	26,470	-	26,470	3,180
Postage	4,500	4,500	4,428	-	4,428	72
Dues and subscriptions	1,200	1,200	965	-	965	235
Travel expense	6,000	5,500	3,622	-	3,622	1,878
Fuel and oil	1,000	1,000	676	-	676	324
Electricity and heating fuel	65,000	65,000	55,488	-	55,488	9,512
Telephone	16,250	16,250	16,788	-	16,788	(538)
Data line phone charges	660	660	281	-	281	379
Water and sewer	1,500	1,500	1,507	-	1,507	(7)
Maintenance and service contracts	35,466	35,466	32,651	-	32,651	2,815
Repairs to equipment	2,000	2,000	503	-	503	1,497
Repairs to buildings and grounds	5,200	5,500	3,090	-	3,090	2,410
Repairs to vehicles	1,000	1,000	44	-	44	956
Food	500	500	343	-	343	157
Cleaning and sanitation	2,500	2,850	2,797	-	2,797	53
Machinery and equipment	-	1,000	-	-	-	1,000
Insurance, bonds, license	7,548	7,548	7,502	-	7,502	46
Rent - building, equipment	27,581	27,581	26,642	-	26,642	939
Training	5,000	5,500	5,474	-	5,474	26
Consulting and contractual	1,000	7,500	4,329	-	4,329	3,171
Books	54,000	54,000	53,519	-	53,519	481
Friends	-	10,000	8,795	-	8,795	1,205
Library miscellaneous donations	-	5,000	2,038	-	2,038	2,962
Machinery and equipment	15,000	15,000	-	-	-	15,000
Office furniture and equipment	27,970	27,670	19,694	-	19,694	7,976
Books	150,000	81,625	-	75,846	75,846	5,779
A/V materials	-	13,500	-	12,135	12,135	1,365
Binding	-	600	-	344	344	256
Periodicals	-	19,500	-	18,201	18,201	1,299
Software - state aid	-	1,395	-	895	895	500
Software	30,000	30,000	8,055	-	8,055	21,945
Software - library lottery	-	41,410	41,410	-	41,410	-
Continuations	-	22,380	-	22,174	22,174	206
CD indexes	-	10,000	-	-	-	10,000
	<u>1,587,022</u>	<u>1,649,932</u>	<u>1,397,490</u>	<u>129,595</u>	<u>1,527,085</u>	<u>122,847</u>
Revenues Over (Under) Expenditures	<u>\$ (45,000)</u>	<u>\$ (51,500)</u>	59,888	-	59,888	<u>\$ 111,388</u>
Fund Balance, Beginning of Year			363,519	-	363,519	
Fund Balance, End of Year			<u>\$ 423,407</u>	<u>\$ -</u>	<u>\$ 423,407</u>	

PICKENS COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
VICTIM RIGHTS FUND
YEAR ENDED JUNE 30, 2003

Schedule 8

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 163,000	\$ 163,000	\$ 143,495	\$ (19,505)
Intergovernmental	-	-	23,884	23,884
	<u>163,000</u>	<u>163,000</u>	<u>167,379</u>	<u>4,379</u>
Expenditures				
Current				
Salaries	143,514	143,514	144,072	(558)
Software	-	89	89	-
Office supplies	6,284	5,054	4,131	923
Postage	1,200	1,200	1,188	12
Travel expense	700	700	130	570
Fuel and oil	700	700	468	232
Telephone	2,500	2,500	2,679	(179)
Maintenance and service contracts	1,770	1,770	2,370	(600)
Repairs to vehicles	300	300	60	240
Uniforms and clothing	2,084	2,084	2,015	69
Local grant match	-	16,399	16,618	(219)
Direct assistance	-	4,937	4,937	-
Machinery and equipment	-	-	6,343	(6,343)
Office furniture and equipment	-	1,741	1,718	23
Training	3,948	3,348	1,730	1,618
Capital outlay	-	34,080	23,525	10,555
	<u>163,000</u>	<u>218,416</u>	<u>212,073</u>	<u>6,343</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (55,416)</u>	<u>\$ (44,694)</u>	<u>\$ (1,964)</u>
Fund Balance, Beginning of Year			<u>156,161</u>	
Fund Balance, End of Year			<u>\$ 111,467</u>	

PICKENS COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EMERGENCY PHONE SYSTEM FUND
YEAR ENDED JUNE 30, 2003

Schedule 9

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fees, licenses and permits	\$ 302,400	\$ -	\$ 314,701	\$ 314,701
Intergovernmental	75,000	-	197,119	197,119
	<u>377,400</u>	<u>-</u>	<u>511,820</u>	<u>511,820</u>
Expenditures				
Current				
Salaries	38,765	38,765	28,526	10,239
Office supplies	-	1,300	1,240	60
Dues and subscriptions	135	210	210	-
Fuel and oil	350	350	-	350
Telephone	137,100	126,000	139,527	(13,527)
Maintenance and service contracts	25,471	25,471	30,562	(5,091)
Repairs to equipment	-	150	150	-
Repairs to vehicles	700	600	-	600
Insurance, bonds, licenses	629	629	629	-
Training	11,500	11,375	2,672	8,703
Special departmental supplies	15,461	461	51	410
Capital outlay	593,601	592,301	392,632	199,669
Debt service:				-
Principal	86,610	86,610	86,610	-
Interest	14,129	14,129	14,129	-
	<u>924,451</u>	<u>898,351</u>	<u>696,938</u>	<u>201,413</u>
Revenues Over (Under) Expenditures	<u>\$ (547,051)</u>	<u>\$ (898,351)</u>	(185,118)	<u>\$ 713,233</u>
Fund Balance, Beginning of Year			<u>331,633</u>	
Fund Balance, End of Year			<u>\$ 146,515</u>	

PICKENS COUNTY, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 FIRE DISTRICTS
 JUNE 30, 2003

Schedule 10

	Easley	Liberty	Pumpkintown	Crosswell	Six Mile	Pickens	Dacusville	Holly Springs	Central	Shady Grove	Rocky Bottom	Total
Assets												
Cash	\$ 65,866	\$ 392,085	\$ 38,742	\$ 409,940	\$ 131,924	\$ 115,941	\$ 318,250	\$ 56,527	\$ 119,932	\$ 9,477	\$ 14,051	\$ 1,672,735
Property taxes receivable, net	52,212	41,095	13,670	80,391	30,502	31,356	38,312	7,268	21,612	1,454	116	317,988
Accounts receivable, other	95	257	8	681	-	2,268	200	18	62	-	-	3,559
Due from other governments	-	-	-	-	-	-	1,900	-	-	-	-	1,900
	\$ 118,173	\$ 433,437	\$ 52,420	\$ 491,012	\$ 162,426	\$ 149,565	\$ 358,662	\$ 63,813	\$ 141,606	\$ 10,931	\$ 14,167	\$ 1,996,212
Liabilities and Fund Balances (Deficits)												
Liabilities												
Accounts payable	\$ 2,885	\$ 1,682	\$ 942	\$ -	\$ -	\$ 1,143	\$ 1,159	\$ 1,991	\$ 3,659	\$ -	\$ -	\$ 13,461
Advances from general fund	-	-	-	-	-	-	248,214	74,601	-	-	-	322,815
Deferred revenue	50,783	36,802	17,718	76,882	29,579	29,554	37,177	6,808	21,213	1,454	70	308,040
	53,668	38,484	18,660	76,882	29,579	30,697	286,550	83,400	24,872	1,454	70	644,316
Fund Balances												
Reserved for encumbrances	-	-	-	-	-	-	-	-	224,891	-	-	224,891
Unreserved	64,505	394,953	33,760	414,130	132,847	118,868	72,112	(19,587)	(108,157)	9,477	14,097	1,127,005
	64,505	394,953	33,760	414,130	132,847	118,868	72,112	(19,587)	116,734	9,477	14,097	1,351,896
	\$ 118,173	\$ 433,437	\$ 52,420	\$ 491,012	\$ 162,426	\$ 149,565	\$ 358,662	\$ 63,813	\$ 141,606	\$ 10,931	\$ 14,167	\$ 1,996,212

PICKENS COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (DEFICITS)
 FIRE DISTRICTS
 YEAR ENDED JUNE 30, 2003

	Easley	Liberty	Pumpkintown	Crosswell	Six Mile	Pickens	Dacusville	Holly Springs	Central	Shady Grove	Rocky Bottom	Total
Revenues												
Fee, licenses and permits	\$ 257,503	\$ 154,193	\$ 64,440	\$ 275,301	\$ 125,493	\$ 158,965	\$ 127,887	\$ 35,297	\$ 159,040	\$ 9,962	\$ 3,858	\$ 1,371,939
Investment income	1,076	3,362	219	4,281	2,729	2,276	2,477	280	1,745	39	51	18,535
Intergovernmental	-	-	31,994	-	-	-	7,400	5,000	-	-	-	44,394
Miscellaneous	-	-	-	-	-	-	2,726	-	-	-	-	2,726
	<u>258,579</u>	<u>157,555</u>	<u>96,653</u>	<u>279,582</u>	<u>128,222</u>	<u>161,241</u>	<u>137,764</u>	<u>43,303</u>	<u>160,785</u>	<u>10,001</u>	<u>3,909</u>	<u>1,437,594</u>
Expenditures												
Machinery and equipment	-	-	1,363	-	-	-	-	-	-	-	-	1,363
Contract services	281,051	41,500	-	202,881	65,000	150,345	63,741	-	63,741	10,253	2,725	817,496
Operating	-	-	18,637	-	-	12	25,208	-	2,724	13	-	46,594
Office	-	361	54,830	112	21,347	-	13,919	20,693	4	-	-	111,266
Electricity and heating fuel	-	-	-	-	-	-	2,554	-	-	-	-	2,554
Telephone	-	-	-	-	-	-	1,138	-	-	-	-	1,138
Building	-	-	-	-	-	-	215	-	-	-	-	215
Vehicle	-	-	-	-	-	-	494	-	-	-	-	494
Utilities	-	-	-	-	-	-	7,536	-	-	-	-	7,536
Insurance, bonds, and licenses	-	2,625	-	-	5,983	-	2,766	-	2,766	-	-	36,818
Routine maintenance	-	3,402	-	-	-	-	1,332	-	1,332	-	-	4,734
Repairs to equipment	-	5,415	4,425	-	-	-	-	-	-	-	-	9,840
Fire prevention education	-	-	3,028	-	-	-	567	-	567	-	-	3,595
Fire calls/professional services	-	21,384	-	-	-	-	4,135	-	4,135	-	-	25,519
Equipment	-	40,918	-	-	4,315	-	-	-	-	-	-	45,233
Land, buildings, rights-of-way	-	-	-	-	-	-	-	-	-	-	-	-
Contingency expense	29	-	154,287	-	-	-	500	-	-	-	-	154,816
Debt service	-	-	1,514	17,761	-	-	17,637	4,885	13,130	-	-	54,927
Dues	-	-	-	-	-	-	450	-	450	-	-	450
Uniforms and clothing	-	-	-	-	-	-	2,798	-	2,798	-	-	2,798
	<u>281,080</u>	<u>118,633</u>	<u>235,056</u>	<u>220,754</u>	<u>96,655</u>	<u>150,357</u>	<u>90,234</u>	<u>25,578</u>	<u>96,048</u>	<u>10,266</u>	<u>2,725</u>	<u>1,327,386</u>
Revenues Over (Under) Expenditures	(22,501)	38,922	(138,403)	58,828	31,567	10,884	47,530	17,725	64,737	(265)	1,184	110,208
Other Financing Sources (Uses) Proceeds from capital lease	-	-	154,287	-	-	-	-	-	-	-	-	154,287
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(22,501)	38,922	15,884	58,828	31,567	10,884	47,530	17,725	64,737	(265)	1,184	264,495
Fund Balances (Deficits), Beginning of Year	87,006	356,031	17,876	355,302	101,280	107,984	24,582	(37,312)	51,997	9,742	12,913	1,087,401
Fund Balances (Deficits), End of Year	\$ 64,505	\$ 394,953	\$ 33,760	\$ 414,130	\$ 132,847	\$ 118,868	\$ 72,112	\$ 19,587	\$ 116,734	\$ 9,477	\$ 14,097	\$ 1,351,896

PICKENS COUNTY, SOUTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2003

Schedule 12

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 1,386,450	\$ 1,841,362	\$ 1,868,067	\$ 26,705
	<u>1,386,450</u>	<u>1,841,362</u>	<u>1,868,067</u>	<u>26,705</u>
Expenditures				
Debt Service:				
Principal retirement	1,041,977	1,163,238	1,164,212	(974)
Interest and fiscal charges	349,300	465,388	462,888	2,500
	<u>1,391,277</u>	<u>1,628,626</u>	<u>1,627,100</u>	<u>1,526</u>
Revenues Over (Under) Expenditures	<u>(4,827)</u>	<u>212,736</u>	<u>240,967</u>	<u>28,231</u>
Other Financing Sources (Uses):				
Operating transfers out	-	(217,567)	(217,567)	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (4,827)</u>	<u>\$ (4,831)</u>	23,400	<u>\$ 28,231</u>
Fund Balance, Beginning of Year			<u>584,478</u>	
Fund Balance, End of Year			<u>\$ 607,878</u>	

PICKENS COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2003

	School District Fund	Municipal Fund	Magistrates Fund	Family Court Fund	Clerk of Court Fund	Museum	Catechee Village	Library Foundation	Total
Assets									
Cash	\$17,151,662	\$ 116,978	\$ 235,478	\$ (2,152)	\$ 522,813	\$ 9,315	\$ 2,757	\$ 5,786	\$18,042,637
Property taxes receivable	2,010,939	248,345	-	-	-	-	-	-	2,259,284
Accounts receivable - other	8,510	-	-	-	-	-	-	-	8,510
Due from individuals	-	-	-	825	-	-	-	-	825
Due from other	-	-	-	1,327	-	-	-	-	1,327
	<u>\$19,171,111</u>	<u>\$ 365,323</u>	<u>\$ 235,478</u>	<u>\$ -</u>	<u>\$ 522,813</u>	<u>\$ 9,315</u>	<u>\$ 2,757</u>	<u>\$ 5,786</u>	<u>\$20,312,583</u>
Liabilities									
Accounts payable	\$ -	\$ 116,978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,978
Due to other governments or agencies	17,241,059	13,661	77,078	-	292,404	-	-	5,786	17,629,988
Due to state	-	-	54,223	-	-	-	-	-	54,223
Due to individuals	-	-	3,213	-	230,409	9,315	2,757	-	245,694
Due to other funds	-	-	100,964	-	-	-	-	-	100,964
Deferred revenue	1,930,052	234,684	-	-	-	-	-	-	2,164,736
	<u>\$19,171,111</u>	<u>\$ 365,323</u>	<u>\$ 235,478</u>	<u>\$ -</u>	<u>\$ 522,813</u>	<u>\$ 9,315</u>	<u>\$ 2,757</u>	<u>\$ 5,786</u>	<u>\$20,312,583</u>

AUDITORS' REPORTS ON OTHER MATTERS

PICKENS COUNTY, SOUTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/Program	Federal CFDA Number	Grant / Award Number	Award Amount	Federal Expenditures	Loan Amount Outstanding
<u>US Department of Transportation</u>					
Federal Aviation Administration					
Taxilane Development	20.106	3-45-0047-11	\$ 24,774		
Passed through SC Office of Adjutant General, Emergency Preparedness Division					
Hazardous Materials Emergency Planning 2003	20.703	HMESC2042100	1,412		
Hazardous Materials Emergency Planning 2002	20.703	HMESC1042090	1,284		
			<u>27,470</u>		
<u>US Department of Agriculture</u>					
Rural Development Loans					
18 Mile Creek Upper Project	10.760	-	\$ 3,605,700		\$ 3,511,618
18 Mile Creek Middle Project	10.760	-	1,988,200		1,936,311
Passed through SC Forestry Commission Volunteer Fire Assistance				12,400	
	10.664		<u>5,593,900</u>	<u>12,400</u>	<u>5,447,929</u>
<u>US Department of Justice</u>					
COPS Hiring Award	16.710	1999-UM-WX-3290		5,228	
State Criminal Alien Assistance Program	16.606			442	
Vest Partnership Grant	16.607			2,186	
Local Law Enforcement Block Grant 2000	16.592	2000-LB-BX-1536		33,721	
Local Law Enforcement Block Grant 2001	16.592	2001-LB-BX-1740		13,598	
Local Law Enforcement Block Grant 2002	16.592	2002-LB-BX-1741		3,616	
Passed through SC Department of Public Safety					
JAIBG School Resource Officer	16.523	1JS0004		2,538	
Juvenile Justice & Delinquency Prevention ReStart	16.540	1J01006		18,100	
Juvenile Justice & Delinquency Prevention ReStart	16.540	1J00008		36,570	
Crime Victim's Assistance Victim Services	16.575	1V01122		23,884	
Byrne Formula Grant School Resource Officer	16.579	1F02022		31,822	
Byrne Formula Grant Domestic Preparedness	16.579	1F02030		2,959	
VAWA Domestic Investigator/Advocate	16.588	1K02011		49,488	

PICKENS COUNTY, SOUTH CAROLINA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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*.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Pickens County Council
Pickens, South Carolina

We have audited the general purpose financial statements of Pickens County, South Carolina as of and for the year ended June 30, 2003, and have issued our report thereon dated October 17, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 reasonable assurance about whether the County of Pickens, South Carolina'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered County of Pickens, South Carolina's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Pickens County in a separate letter dated October 17, 2003.

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

McAbee, Talbert, Halliday & Co.

Spartanburg, South Carolina
October 17, 2003

(64)

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Pickens County Council
Pickens County, South Carolina

Compliance

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

We conducted our audit of compliance in accordance with U.S. 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 Pickens County, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pickens County, South Carolina's compliance with those requirements.

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

Internal Control Over Compliance

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

Internal Control Over Compliance - Continued

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

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

McAlme, Jallant, Halliday & Co

Spartanburg, South Carolina
October 17, 2003

