

CITY OF LIBERTY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

CITY OF LIBERTY
LIBERTY, SOUTH CAROLINA

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Liberty
Liberty, South Carolina

We have audited the accompanying general purpose financial statements of the City of Liberty, South Carolina (the City) as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

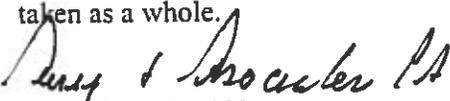
We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements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

As explained in Note 1, the City has not historically maintained a record of its general fixed assets. As a result of such incomplete records, we were unable to satisfy ourselves, by appropriate audit tests or by other means, as to the reasonableness of the value of the general fixed assets.

In our opinion, except for the value of the general fixed assets, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City at June 30, 2003, and the results of its operations and the cash flows of its enterprise fund for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2003, on our consideration of the City of Liberty's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. 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 not a required part of the general purpose financial statements. Also, all other supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Liberty. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the value of the general fixed assets, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.


December 15, 2003

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Member of
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South Carolina Association of Certified Public Accountants

**CITY OF LIBERTY, SOUTH CAROLINA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003**

		<u>GOVERNMENTAL FUND TYPES</u>	<u>PROPRIETARY FUND TYPES</u>	<u>ACCOUNT GROUPS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
		<u>GENERAL</u>	<u>ENTERPRISE</u>	<u>GENERAL FIXED ASSETS</u> <u>LONG-TERM DEBT</u>	<u>JUNE 30, 2003</u> <u>JUNE 30, 2002</u>
ASSETS AND OTHER DEBITS					
Assets:					
Cash	\$	\$558,853		\$	\$ 883,485
Receivables:					
Taxes/finances		134,042			134,042
Loans		4,747			4,747
Trade accounts		8,214	212,923		221,137
Grants		24,561	1,164		25,725
Other		179,449	318		179,767
Due from general fund			29,753		29,753
Prepaid expenses		487			487
RESTRICTED ASSETS:					
Cash			41,075		41,075
FIXED ASSETS (NET, WHERE APPLICABLE)			3,194,788	2,075,449	5,270,237
CONSTRUCTION IN PROGRESS					4,541,368
DEFERRED CHARGES			4,146		4,146
OTHER DEBITS:					
Amount to be provided for retirement of general long-term debt and other obligations				707,734	147,450
TOTAL ASSETS AND OTHER DEBITS		<u>\$910,353</u>	<u>\$3,484,167</u>	<u>\$707,734</u>	<u>\$7,177,703</u>
			<u>\$2,075,449</u>	<u>\$707,734</u>	<u>\$6,480,437</u>

LIABILITIES, EQUITY AND OTHER CREDITS

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		ACCOUNT GROUPS			TOTALS	
	GENERAL	ENTERPRISE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	GENERAL	LONG-TERM DEBT	GENERAL	LONG-TERM DEBT	JUNE 30, 2003	JUNE 30, 2002
LIABILITIES:										
Accounts payable	\$ 52,434	\$ 49,562	\$	\$					\$ 101,996	\$ 110,393
Accrued payroll taxes	2,143	331							2,474	2,202
Accrued liabilities	85,860	164,723							250,583	239,911
Accrued interest		471							471	1,702
Due to enterprise fund	29,753								29,753	155,380
Deposits		11,340							11,340	12,100
Notes payable		9,423							9,423	27,728
Deferred revenue	<u>182,930</u>	<u>235,850</u>							<u>182,930</u>	<u>191,806</u>
	353,120								588,970	741,222
PAYABLE FROM RESTRICTED ASSETS:										
Current maturities of revenue bonds		7,500							7,500	7,500
Accrued interest of revenue bonds		<u>8,457</u>							<u>8,457</u>	<u>8,457</u>
		15,957							15,957	15,957
LONG-TERM REVENUE BONDS COMPENSATED ABSENCES CAPITAL LEASES										
		264,573							814,573	272,417
		3,351							24,776	23,888
		<u>28,054</u>							<u>164,363</u>	<u>166,240</u>
		<u>295,978</u>							<u>1,003,712</u>	<u>462,545</u>
TOTAL LIABILITIES	353,120	547,785		707,734					1,608,639	1,219,724

LIABILITIES, EQUITY AND OTHER CREDITS (CONTINUED)

	<u>GOVERNMENTAL FUND TYPES</u>	<u>PROPRIETARY FUND TYPES</u>	<u>ACCOUNT GROUPS</u>	<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG-TERM DEBT</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>ENTERPRISE</u>				<u>JUNE 30, 2003</u> <u>JUNE 30, 2002</u>
EQUITY AND OTHER CREDITS:						
Contributed capital	—	2,482,370		2,075,449	—	2,482,370
Investment in General Fixed Assets		<u>2,482,370</u>		<u>2,075,449</u>		<u>2,124,005</u>
RETAINED EARNINGS:						<u>1,983,911</u>
Reserved for revenue bond retirement/contingencies		25,118				4,557,819
Unreserved		428,894				24,223
						368,900
FUND BALANCES : UNRESERVED:						
Undesignated	<u>557,233</u>					<u>557,233</u>
	<u>557,233</u>	<u>454,012</u>				<u>759,674</u>
TOTAL EQUITY AND OTHER CREDITS	<u>557,233</u>	<u>2,936,382</u>		<u>2,075,449</u>		<u>1,152,797</u>
						<u>5,569,064</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$910,353</u>	<u>\$3,484,167</u>		<u>\$2,075,449</u>	<u>\$707,734</u>	<u>\$7,177,703</u>
						<u>\$6,480,437</u>

See accompanying notes and independent auditors' report.

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2002)

	<u>JUNE 30, 2003</u>	<u>JUNE 30, 2002</u>
REVENUES:		
Taxes	\$ 528,880	\$ 532,197
Permits and fees	487,208	439,856
Fines and forfeitures	34,191	70,116
Shared revenues	113,052	119,050
Miscellaneous	191,978	222,353
Charges for services	<u>91,702</u>	<u>69,114</u>
Total Revenues	1,447,011	1,452,686
EXPENDITURES:		
CURRENT:		
Administrative Department	913,026	347,964
Police Department	543,437	523,310
Fire Department	275,251	241,176
Public Works Department	236,147	209,768
Recreation Department	86,440	1,000
CAPITAL EXPENDITURES	145,108	207,627
DEBT SERVICE:		
Principal	68,452	30,770
Interest	<u>5,944</u>	<u>6,351</u>
Total Expenditures	2,273,805	1,567,966
Deficit of revenues over expenditures	<u>(826,794)</u>	<u>(115,280)</u>
OTHER FINANCING SOURCES:		
Notes Payable	<u>624,353</u>	<u>65,549</u>
Total Other Financing Sources	<u>624,353</u>	<u>65,549</u>
Deficit of revenues and other financing sources over expenditures	(202,441)	(49,731)
FUND BALANCES, BEGINNING	<u>759,674</u>	<u>809,405</u>
FUND BALANCES, ENDING	<u>\$ 557,233</u>	<u>\$ 759,674</u>

See accompanying notes and independent auditors' report.

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2002)

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>	<u>ACTUAL 2002</u>
REVENUES:				
Taxes	\$ 528,880	\$ 501,300	\$ 27,580	\$ 532,197
Permits and fees	487,208	508,200	(20,992)	439,856
Fines and forfeitures	34,191	78,000	(43,809)	70,116
Shared revenues	113,052	138,000	(24,948)	119,050
Miscellaneous	191,978	193,200	(1,222)	222,353
Charges for services	<u>91,702</u>	<u>136,700</u>	<u>(44,998)</u>	<u>69,114</u>
Total Revenues	1,447,011	1,555,400	(108,389)	1,452,686
EXPENDITURES:				
 CURRENT:				
Administrative Department	913,026	673,073	(239,953)	347,964
Police Department	543,437	564,787	21,350	523,310
Fire Department	275,251	257,709	(17,542)	241,176
Public Works Department	236,147	215,981	(20,166)	209,768
Recreation Department	86,440	92,650	6,210	1,000
Capital expenditures	145,108	48,100	(97,008)	207,627
 DEBT SERVICE:				
Principal	68,452	94,500	26,048	30,770
Interest	<u>5,944</u>	<u>8,600</u>	<u>2,656</u>	<u>6,351</u>
Total Expenditures	<u>2,273,805</u>	<u>1,955,400</u>	<u>(318,405)</u>	<u>1,567,966</u>
Deficit of revenues over expenditures	<u>(826,794)</u>	<u>(400,000)</u>	<u>(426,794)</u>	<u>(115,280)</u>
OTHER FINANCING SOURCES:				
Notes Payable	<u>624,353</u>	<u>400,000</u>	<u>224,353</u>	<u>65,549</u>
Total Other Financing Sources	<u>624,353</u>	<u>400,000</u>	<u>224,353</u>	<u>65,549</u>
Deficit of revenues and other financing sources over expenditures	(202,441)		(202,441)	(49,731)
FUND BALANCES, BEGINNING	<u>759,674</u>	<u>759,674</u>		<u>809,405</u>
FUND BALANCES, ENDING	<u>\$ 557,233</u>	<u>\$ 759,674</u>	<u>(\$ 202,441)</u>	<u>\$ 759,674</u>

See accompanying notes and independent auditors' report.

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS –
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(With Comparative Amounts for the Fiscal Year Ended June 30, 2002)

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES:		
Water billings	\$ 778,523	\$ 683,277
Sewer billings	<u>442,563</u>	<u>462,402</u>
Total Operating Revenues	1,221,086	1,145,679
OPERATING EXPENSES:		
Water Department	670,962	861,569
Sewer Department	92,523	114,781
County facility fees	240,929	267,599
Depreciation	141,832	119,592
Amortization	<u>203</u>	<u>203</u>
Total Operating Expenses	<u>1,146,449</u>	<u>1,363,744</u>
Operating Income(Loss)	74,637	(218,065)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	785	1,427
Interest expense	(14,533)	(18,246)
Gain on sale of fixed assets	<u> </u>	<u>895</u>
Total Non-Operating Revenues (Expenses)	<u>(13,748)</u>	<u>(15,924)</u>
Net Income (Loss)	60,889	(233,989)
RETAINED EARNINGS, BEGINNING	<u>393.123</u>	<u>627.112</u>
RETAINED EARNINGS, ENDING	<u>\$ 454,012</u>	<u>\$ 393,123</u>

See accompanying notes and independent auditors' report.

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(With Comparative Amounts for the Fiscal Year Ended June 30, 2002)

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ <u>74,637</u>	(<u>\$ 218,065</u>)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	142,035	119,795
(Increase) decrease in receivables	(66,563)	176,700
Decrease in accounts payable	(30,548)	(101,345)
Decrease in compensated absences	(3,497)	(2,017)
Increase(decrease) in deposits	(760)	1,378
Increase in accrued liabilities	415	157,247
(Increase) decrease in due to/from general fund	<u>125,627</u>	<u>(15,880)</u>
Total adjustments	<u>166,709</u>	<u>335,878</u>
Net cash provided by operating activities	<u>241,346</u>	<u>117,813</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress		(194,609)
Acquisition and construction of capital assets	(551,143)	(256,647)
Principal paid on revenue bonds, notes payable, and lease obligations	(33,925)	(22,950)
Interest paid on revenue bonds, notes payable, and lease obligations	(14,533)	(18,246)
Capital contributed by grants	317,461	303,794
Capital contributed by tap fees	40,904	16,000
Gain on sale of capital assets		895
Proceeds from capital leases	<u> </u>	<u>54,451</u>
Net cash used for capital and related financing activities	(241,236)	(117,312)

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS – ENTERPRISE FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(With Comparative Amounts for the Fiscal Year Ended June 30, 2002)

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>785</u>	<u>1,427</u>
Net cash provided by investing activities	<u>785</u>	<u>1,427</u>
Net increase in cash	895	1,928
BEGINNING CASH:		
Restricted	<u>40,180</u>	<u>38,252</u>
ENDING CASH:		
Restricted	<u>41,075</u>	<u>40,180</u>
TOTAL ENDING CASH:	<u>\$41,075</u>	<u>\$40,180</u>

See accompanying notes and independent auditors' report.

CITY OF LIBERTY, SOUTH CAROLINA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Liberty, South Carolina (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity: The City operates under a Council form of government and provides the following services: public safety (police and fire), streets, sanitation, water and sewer, and general and administrative. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the financial statements for the City consist only of the funds and account groups of the City. The City has no oversight responsibility for any other governmental entity.

Fund Accounting: The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The City classifies its funds into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds). The general fund is used to account for all activities of the City not accounted for in some other fund.

(NOTE 1 CONTINUED)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds). An enterprise fund has been set up by the City for the operation of the water and wastewater treatment plants.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The City applies all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements, in accounting and reporting for its proprietary operations.

The modified accrual basis of accounting is used by all governmental fund types. 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 determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgets and Budgetary Accounting: As set forth in the City Charter, the City Council adopts an annual budget for the general fund and enterprise fund. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the enterprise fund is adopted under a basis consistent with generally accepted accounting principles, except that depreciation and amortization is not considered. Additionally, cash outlays for debt principal and fixed assets funded by operations are budgeted, but treated differently in accordance with generally accepted accounting principles. After joint workshops with the City Council, the Mayor submits to the City Council a proposed operating budget covering the general and enterprise funds for the fiscal year commencing the following July 1. These workshops and hearings are open to the public. The operating budget includes proposed expenditures and the means for financing them. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of an ordinance. Appropriations lapse at the end of each fiscal year.

The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer amounts between departments must be approved by the City Council. The presented budgeted amounts are as originally adopted, or as last amended by the City Council.

(NOTE 1 CONTINUED)

The City does not budget for the combined special revenue funds, since budgetary control is maintained on an individual grant basis. Since grant periods may differ from the City's fiscal year, a comparison of budgetary information for the combined special revenue funds would not be meaningful and has not been presented in the accompanying financial statements.

Cash and Investments: Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are stated at fair value. The calculation of realized gains and losses is independent of calculation of changes in fair value of investments. During the year ended June 30, 2003, the City of Liberty did not experience any significant changes in the fair value of its investments.

Property Tax: Taxes are levied on October 1, and are due and payable on or before January 15 of the following year. All unpaid taxes become delinquent March 15 of the following year. The City has by contract authorized Pickens County to assess and collect all property taxes. These collections are remitted to the City by the County Treasurer.

Due From/To Other Funds: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Restricted Assets: Certain resources are set aside for the repayment of enterprise fund revenue bonds, because their use is limited by applicable bond covenants. Such resources are included in cash on the balance sheet and consist of the following:

Reserved for Contingency	\$ 9,883
Reserved for Depreciation	9,825
Reserved for Revenue Bond Retirement	<u>21,367</u>
	<u>\$41,075</u>

The "sewer contingency" account is used to report resources set aside to meet unexpected contingencies. The "depreciation" account is used to report resources set aside to fund asset renewals and replacements. The "revenue bond retirement" account is used to report resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt service payments.

Fixed Assets: General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group.

The City has not historically maintained detailed fixed assets records to exercise accounting control over its property and equipment used in governmental fund type operations. As a result, all fixed assets acquired after October 1, 1971 are valued at historical costs, and all fixed assets acquired before September 30, 1971 are valued at the then estimated value. Donated fixed assets are not recorded. No depreciation has been provided on fixed assets used in governmental fund type operations.

Depreciation of fixed assets used in the enterprise fund is provided using the straight-line method over the following estimated useful lives:

Buildings	10-50 Years
Improvements	20-50 Years
Equipment	5-10 Years
Meters and Boxes	50 Years

(NOTE 1 CONTINUED)

Deferred Charges: Expenses incurred in the issuance of water and sewer system revenue bonds (\$8,125) have been deferred and are being amortized (\$203 in 2003) to the operations of the enterprise fund using the straight-line method over the length of the bond issue.

Compensated Absences: Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Long-Term Obligations: Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund Equity: Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Investment in general fixed assets represents funds invested in capital acquisition and construction. Reserves represent those portions of fund equity not appropriable for expenditure are legally segregated for a specific future use. Unreserved fund balances represent financial resources available for expenditure.

Comparative Data: Comparative total data for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Total Columns on Combined Statements – Overview: Total columns on the combined statements – overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances: Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2003, the book balance of the City's cash deposits was \$599,928. Of the \$599,928 bank balance, \$102,678 was covered by federal depository insurance. Therefore, uninsured cash was \$497,250 on June 30, 2003.

As of June 30, 2003, the following collateral was pledged to secure the remaining cash deposits for the City of Liberty:

Description of <u>Securites</u>	Par <u>Value</u>	Maturity <u>Date</u>	Market <u>Value</u>
*	\$555,363	04-15-05	\$586,795

*Par value represents the assigned portion of a \$10,000,000 Federal Farm Credit Bank Note, due on 04-15-05.

The securities are held as book entries at the Federal Reserve in the name of the First Citizens Bank of North Carolina as escrow agent for the First Citizens Bank of South Carolina. The securities are pledged to the entity and can be substituted but not released without their consent.

NOTE 3 – LOANS RECEIVABLE

Loans receivable of the general fund represents one installment contract from an individual pursuant to borrowing under the community development block grant program for rehabilitation purposes. The contract calls for the City to receive payments of \$101 per month, including interest at 3.00% per annum. The contract matures no later than 2007 and is secured by the property rehabilitated.

NOTE 4 – ENTERPRISE FUND FIXED ASSETS

The following is a summary of the fixed assets of the enterprise fund as of June 30, 2003:

Land	\$ 6,414
Buildings	16,807
Machinery and equipment	384,751
Water and sewer improvements other than buildings	<u>4,744,667</u>
	5,152,639
Accumulated depreciation	<u>(1,957,851)</u>
	<u>\$3,194,788</u>

NOTE 5 – GENERAL FIXED ASSETS ACCOUNT GROUP

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2003</u>
Land, buildings and improvements	\$1,006,661	\$ 22,423	(\$25,090)	\$1,003,994
Machinery and equipment	892,980	80,931	(3,753)	970,158
Office furniture and equipment	<u>84,270</u>	<u>41,754</u>	<u>(24,727)</u>	<u>101,297</u>
Total General Fixed Assets	<u>\$1,983,911</u>	<u>\$145,108</u>	<u>(\$53,570)</u>	<u>\$2,075,449</u>

NOTE 6 – LONG-TERM DEBT

The bonds payable of the general fund accounted for in the general long-term debt group of accounts consist of the following:

General obligation bond anticipation note 2002 dated September 12, 2002 in the amount of \$500,000. Interest accrues on the bonds at 1.97% per annum with a maturity date of September 12, 2003.	\$500,000
General obligation bond anticipation note 2002 B dated December 16, 2002 in the amount of \$50,000. Interest accrues on the bonds at 1.97% per annum with a maturity date of September 12, 2003.	<u>50,000</u>
	<u>\$550,000</u>

The following represents maturity of the general fund bonds payable as of June 30, 2003:

June 30, 2004	<u>\$550,000</u>
	<u>\$550,000</u>

Bonds payable and the note payable of the enterprise fund consist of the following:

Water System Improvement Revenue Bonds, series 1983, due in annual installments of \$21,305 including interest at 5.00% per annum and maturity in November 2023.	\$272,073
Note payable to a bank for a sewer jetting machine of \$25,686, due in monthly installments of \$742 including interest of 4.22% per annum and maturity in July 2004.	<u>9,423</u>
	<u>\$281,496</u>

The following represents maturity of the enterprise fund reserve bonds and the note payable as of June 30, 2003:

June 30, 2004	\$ 16,385
June 30, 2005	8,826
June 30, 2006	8,491
June 30, 2007	8,915
June 30, 2008	9,361
Thereafter	<u>229,518</u>
	<u>\$281,496</u>

(NOTE 6 CONTINUED)

Annual debt service requirements to amortize all debt including interest outstanding of \$172,541 are as follows:

<u>Year Ending June 30</u>	<u>Notes Payable</u>	<u>System 1983 Bonds</u>	<u>2002 Bonds</u>	<u>2002B Bonds</u>	<u>Total</u>
2004	\$8,902	\$ 21,305	\$500,000	\$50,000	\$ 580,207
2005	742	21,305			22,047
2005		21,305			21,305
2007		21,305			21,305
2008		21,305			21,305
Thereafter		<u>337,869</u>			<u>337,869</u>
	<u>\$9,644</u>	<u>\$444,394</u>	<u>\$500,000</u>	<u>\$50,000</u>	<u>\$1,004,038</u>

During the year ended June 30, 2003, the following changes occurred in long-term debt:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>
Enterprise Fund:				
Revenue bonds	\$279,917	\$	(\$ 7,844)	\$272,073
Note Payable	<u>17,728</u>		<u>(8,305)</u>	<u>9,423</u>
	<u>\$297,645</u>	<u>\$</u>	<u>(\$16,149)</u>	<u>\$281,496</u>
General Long-Term Debt Account Group:				
Note payable	\$10,000	\$	(\$10,000)	\$
Bonds payable		<u>550,000</u>		<u>550,000</u>
	<u>\$10,000</u>	<u>\$550,000</u>	<u>(\$10,000)</u>	<u>\$550,000</u>

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The City has entered into a lease agreement as lessee to finance the acquisition of a garbage truck. This lease qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is a summary of the equipment leased under this capital lease agreement as of June 30, 2003:

	<u>General Fixed Asset</u>	<u>Total</u>
Garbage Truck	<u>\$83,062</u>	<u>\$83,062</u>

(NOTE 7 CONTINUED)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2003:

<u>Year Ending June 30</u>	<u>General Long-Term Debt</u>
2004	\$14,374
2005	14,374
2006	14,374
2007	14,374
2008	<u>3,593</u>
Total minimum lease payments	61,089
Less: amount representing interest	<u>(6,846)</u>
Present value of future minimum lease payments	<u>\$54,243</u>

The City has entered into a lease agreement as lessee to finance the acquisition of two Ford Crown Victorias, one Ford Ranger King Cab, and a Ford Backhoe. This lease qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is a summary of the equipment leased under the capital lease agreement as of June 30, 2003:

	<u>General Fixed Asset</u>	<u>Enterprise Fund</u>	<u>Total</u>
Two Crown Victorias	\$50,456	\$	\$ 50,456
Ford Ranger	16,033		16,033
Backhoe	<u> </u>	<u>54,451</u>	<u>54,451</u>
Total	<u>\$66,489</u>	<u>\$54,451</u>	<u>\$120,940</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2003:

<u>Year Ending June 30</u>	<u>General Long Term Debt</u>	<u>Enterprise Fund</u>	<u>Total</u>
2004	\$23,446	\$19,480	\$42,926
2005	<u>11,723</u>	<u>9,740</u>	<u>21,463</u>
Total minimum lease payments	35,169	29,220	64,389
Less: amount representing interest	(1,393)	(1,166)	(2,559)
Present value of future minimum lease payments	<u>\$33,776</u>	<u>\$28,054</u>	<u>\$61,830</u>

(NOTE 7 CONTINUED)

The City has entered into a lease agreement as lessee to finance the acquisition of two 2003 Ford Crown Victorias. This lease qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is a summary of the equipment leased under this capital lease agreement as of June 30, 2003:

	<u>General Fixed Asset</u>	<u>Total</u>
2 Crown Victorias	<u>\$48,611</u>	<u>\$48,611</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2003:

<u>Year Ending June 30</u>	<u>General Long-Term Debt</u>
2004	\$16,984
2005	<u>16,985</u>
Total minimum lease payments	33,969
Less: amount representing interest	<u>(2,343)</u>
Present value of future minimum lease payments	<u>\$31,626</u>

The City has entered into a lease agreement as lessee to finance the acquisition of a 2003 Ford F 250 truck. This lease qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is a summary of the equipment leased under this capital lease agreement as of June 30, 2003:

	<u>General Fixed Asset</u>	<u>Total</u>
Ford F250 Truck	<u>\$25,742</u>	<u>\$25,742</u>

(NOTE 7 CONTINUED)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2003:

<u>Year Ending June 30</u>	<u>General Long-Term Debt</u>
2004	\$9,077
2005	<u>9,076</u>
Total minimum lease payments	18,153
Less: amount representing interest	<u>(1,489)</u>
Present value of future minimum lease payments	<u>\$16,664</u>

During the year ended June 30, 2003 the following changes occurred in capital leases:

	<u>Police Vehicles</u>	<u>Garbage Truck</u>	<u>Backhoe</u>	<u>2 Crown Victorias</u>	<u>Ford F 250</u>	<u>Total</u>
Balance July 1, 2002	\$55,173	\$65,237	\$45,830	\$	\$	\$166,240
Additions				48,611	25,742	74,353
Payments	<u>(21,397)</u>	<u>(10,994)</u>	<u>(17,776)</u>	<u>(16,985)</u>	<u>(9,078)</u>	<u>(76,230)</u>
Balance June 30, 2003	<u>\$33,776</u>	<u>\$54,243</u>	<u>\$28,054</u>	<u>\$31,626</u>	<u>\$16,664</u>	<u>\$164,363</u>

NOTE 8 – RETIREMENT PLANS

The City participates in two statewide multiple employer public employee retirement systems. Both are cost sharing public employee retirement systems with one exception: All risks and costs are not shared by the City, but are the liability of the State of South Carolina. The two retirement systems are funded through city and employee contributions, and the city has no legal obligation for paying benefits. The South Carolina Retirement System covers substantially all of the City's general employees, and the South Carolina Police Officers Retirement System covers all of the City's public safety employees. These plans are administered by the Retirement Division of the State Budget and Control Board.

Both the South Carolina Retirement System and the Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plans' provisions are established under Title 9 of the SC Code of Laws. Any amendments would necessitate an amendment to the law.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and the Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, S. C. 29211-1960.

Effective January 1, 2001, newly enrolled members of SCRS must have five years of earned service (paid employment as an employee during which regular contributions are paid to the system) to be eligible to receive a service or disability retirement annuity, or to qualify a survivor for a monthly annuity after an in-service death. This requirement does not apply to disability retirement eligibility if the disability is the result of a job-related injury.

Both employees and employers are required to contribute to the Plans under the authority of Title 9 of the SC Code of Laws.

Employee-required contributions to the Plans are as follows:

- South Carolina Retirement System – 6% of salary
- South Carolina Police Officers Retirement System – 6.5% of salary

In addition to the above rates, the City of Liberty as a participating employer with the South Carolina Retirement System contributes .15% of payroll to provide a group life insurance benefit for its participants. The City of Liberty as a participating employer under the Police Officers Retirement System also contributes .2% of payroll to provide a group life insurance benefit and .2% of payroll to provide an accidental death benefit for its participants.

The City's contribution on behalf of employees is at the following actuarially-determined rates:

- South Carolina Retirement System – 6.7% of salary
- South Carolina Police Officers Retirement System – 10.3% of salary

All employees contribute at the actuarially required contribution rates.

(NOTE 8 CONTINUED)

The total required contributions for both plans and the percentage of that amount contributed for the current year and each of the two preceding years are as follows:

	<u>Amount</u>	<u>Percentage Contribution</u>
Year ended June 30, 2003		
Employer	\$78,453	100%
Employee	\$50,407	100%
Year ended June 30, 2002		
Employer	\$81,677	100%
Employee	\$47,348	100%
Year ended June 30, 2001		
Employer	\$67,275	100%
Employee	\$45,526	100%

As of June 30, 2003, the City of Liberty has no outstanding pension liability or asset computed in accordance with GASB Statement No. 27

NOTE 9 – ACCRUED LEGAL LIABILITIES

In a prior year the City of Liberty was sued by a local developer. The local developer had alleged that the City of Liberty agreed to reimburse the developer for certain taxes, certain paving and certain sewer line expense that he had incurred prior to June 30, 1999. This lawsuit was settled in the fiscal year 2001. The City agreed to pay the developer \$23,500 in the prior fiscal year and to pay the developer 70% of the property taxes generated by the housing development over a ten year period. The total settlement is limited to \$269,111. Since the amount of property taxes generated is dependent on housing starts, currently there isn't any means to determine the total taxes that will be generated by the development. Since the expense will be paid yearly and the total settlement (dependent on housing starts) cannot be currently determined, the expense will be recognized as paid.

According to the City Attorney there were two potential legal litigation suits pending trial at year-end. As regards to these cases and any other nonidentified cases the City has recognized potential liability of \$43,500 as of June 30, 2003.

NOTE 10 – DEFERRED REVENUE

For the year ended June 30, 2001, the City of Liberty recognized the revenue on the sale of land to Ingles Markets, Inc. of \$304,290. The gross sales price was \$450,000 and there were sales commissions paid of \$22,500.

Currently there is \$123,200 of the sales price being held in escrow to fund the City's portion of the cost of a roadway to the property. The \$123,200 is currently being recognized as deferred revenue on the City's combined balance sheet.

NOTE 11 – DONATION TO PICKENS COUNTY

To facilitate the Ingles Markets, Inc.'s purchase of the land owned by the City, the county agreed to give up its EMS land and building. Ingles Markets, Inc. deeded the county a portion of the land they had purchased and the City of Liberty built Pickens County a new EMS building on the donated land. The City of Liberty recognized this donation to Pickens County in the year ended June 30, 2003.

NOTE 12 – COMMUNITY DEVELOPMENT BLOCK GRANTS

The City of Liberty was awarded a \$500,000 Community Development Block Grant for the Liberty Little Mill Village Water/Sewer Project. The purpose of the grant is to replace and upgrade the public sewer and water system in the Little Mill Village area of the City of Liberty. The project will include sewer/water system renovations in the area of Calhoun, Jackson, Clay, Tillman, Clemson, Trammell and Peachtree Streets in the City of Liberty. The grant is completed with cumulative grant expenditures of \$469,146 as of June 30, 2003.

The City of Liberty was awarded a \$350,000 Community Development Block Grant for the Liberty Big Mill Village Sewer Project. The purpose of the grant is to replace and upgrade the public sewer system in the Big Mill Village area of the City of Liberty. The project includes sewer system renovations in the area of Hedgepath, Alexander, East and West Beattie, Byrnes, Woodhaven, West Woodside, Iselin and Anderson Streets in the City of Liberty. There are cumulative grant expenditures of \$212,402 as of June 30, 2003.

The City of Liberty was awarded a \$350,000 Appalachian Regional Commission Grant for the Liberty Big Mill Village Sewer Project. The purpose of the grant is to replace and upgrade the public sewer system in the Big Mill Village area of the City of Liberty. The project includes sewer system renovations in the area of Hedgepath, Alexander, East and West Beattie, Byrnes, Woodhaven, West Woodside, Iselin and Anderson Streets in the City of Liberty. There are cumulative grant expenditures of \$275,531 as of June 30, 2003.

The City of Liberty was awarded a \$20,000 Community Development Block Grant for the Big Mill Village and Little Mill Village areas of the City of Liberty. The project's objective is to identify the current conditions of the Big Mill Village and Little Mill Village areas and to develop a list of priority projects based upon the conditions and community involvement. The grant is to be used to fund a study that assesses the current conditions of the Big Mill Village and Little Mill Village areas and identifies a list of priorities aimed at improving these conditions. The process includes a series of community meetings aimed at involving residents within the study area to identify priorities based on their awareness and knowledge of the area. The projects identified in the study included housing rehabilitation, storm-water runoff & erosion control, neighborhood cleanup of trash, vegetation and rat eradication, street widening, parking and sidewalk improvement, and a neighbor helping neighbors plan. The grant is completed with cumulative grant expenditures of \$20,000 at June 30, 2003.

NOTE 13 – CONTRIBUTED CAPITAL

Recorded as contributions to the Water and Sewer Utility System are those funds used by the System for operations and capital outlays which have not been generated by system operations.

The contributions to the Utility System are as follows:

Contributed Capital as of June 30, 2002	\$2,124,005
Community Development Block Grants	317,461
Connection Tap Fees	24,890
Sewer line – Garden Spot	<u>16,014</u>
Contributed Capital as of June 30, 2003	<u>\$2,482,370</u>

NOTE 14 – SUBSEQUENT EVENT

On September 9, 2003 the City of Liberty issued the 2003 General Obligation Bond Anticipation Note in the amount of \$550,000. Interest accrues on these bonds at 1.77% per annum with a maturity date of September 9, 2004. The purpose of issuing these bonds is to satisfy the City of Liberty's General Obligation Bond Anticipation Notes, 2002A and 2002B in the amounts of \$500,000 and \$50,000 respectively.

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF FINES, ASSESSMENTS AND SURCHARGES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

COURT FINES

Court fines collected	\$ 17,177
Court fines retained by City	<u>(17,177)</u>
Court fines remitted to State Treasurer	<u>\$</u>

COURT ASSESSMENTS

Court assessments collected	\$ 17,200
Court assessments retained by City	<u>(1,934)</u>
Court assessments remitted to State Treasurer	<u>\$ 15,266</u>

COURT SURCHARGES

Court surcharges collected	\$ 1,175
Court surcharges retained by City	<u>(975)</u>
Court surcharges remitted to State Treasurer	<u>\$ 200</u>

VICTIMS SERVICES

Court assessments allocated to Victim Services	\$ 1,934
Court surcharges allocated to Victim Services	<u>975</u>
Funds allocated to Victim Services	2,909
Victim Services expenditures	<u>(35)</u>
Funds available for carryforward	<u>\$ 2,874</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
TAXES:			
Current Property	\$ 253,819	\$ 229,000	\$ 24,819
Manufacturer's	10,721	8,500	2,221
Local option sales tax	209,087	205,200	3,887
Merchant inventory	6,648	6,600	48
Accommodations	1,025	1,000	25
Homestead	<u>47,580</u>	<u>51,000</u>	<u>(3,420)</u>
	528,880	501,300	27,580
PERMITS AND FEES:			
Business license	270,757	250,000	20,757
Franchise fees	204,926	207,200	(2,274)
Yard sale fees	96		96
Land clearing permits		1,000	(1,000)
Building permits	<u>11,429</u>	<u>50,000</u>	<u>(38,571)</u>
	487,208	508,200	(20,992)
FINES AND FORFEITURES:			
Police fines	<u>34,191</u>	<u>78,000</u>	<u>(43,809)</u>
	34,191	78,000	(43,809)
SHARED REVENUES:			
Fire district contract	35,500	47,000	(11,500)
Local government	<u>77,552</u>	<u>91,000</u>	<u>(13,448)</u>
	113,052	138,000	(24,948)
MISCELLANEOUS:			
Police miscellaneous revenue	2,218	700	1,518
Interest	6,513	10,000	(3,487)
Recyclables	803	1,000	(197)
Resources Officer Grant	35,500	35,500	
Fire Department miscellaneous	55,677	51,000	4,677
Pickens Dispatch	20,000	20,000	
Rental income S.C. Housing Authority	3,057		3,057
Planning Grant	9,615		9,615
School Resource Officer Grant	25,603	27,000	(1,397)
FEMA Grant		27,000	(27,000)
Jail Renovation Grant	13,703	18,000	(4,297)
Taps	725	3,000	(2,275)
LLE Block Grant	<u>18,564</u>		<u>18,564</u>
	191,978	193,200	(1,222)

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
CHARGES FOR SERVICES:			
Sanitation user fees	50,758	54,000	(3,242)
Recreation Department Income	34,289	67,700	(33,411)
Juvenile facility	<u>6,655</u>	<u>15,000</u>	<u>(8,345)</u>
	<u>91,702</u>	<u>136,700</u>	<u>(44,998)</u>
TOTALS	<u>\$1,447,011</u>	<u>\$1,555,400</u>	<u>(\$108,389)</u>

See accompanying notes and independent auditors' report.

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
ADMINISTRATION:			
Salaries and wages – regular	\$ 51,524	\$ 39,919	\$ (11,605)
Salaries and wages – council	6,800	10,800	4,000
Admin health/life insurance	72,862	63,800	(9,062)
Payroll taxes	4,549	4,380	(169)
Pension	3,739	3,474	(265)
Workers compensation/liability insurance	63,476	43,100	(20,376)
Legal and accounting	25,405	20,000	(5,405)
Maintenance and service contracts	2,524	2,000	(524)
Maintenance and repairs	5,549	9,000	3,451
Telephone	6,820	3,500	(3,320)
Postage	1,627	500	(1,127)
Department supplies/printing	8,766	6,000	(2,766)
Seminars, conventions and meetings	7,651	5,000	(2,651)
Utilities	10,759	9,000	(1,759)
Dues and subscriptions	3,319	3,000	(319)
Janitorial supplies		300	300
Office furniture/equipment (noncapital)	285	2,000	1,715
Bad debt expense	914		(914)
Christmas	4,355	4,000	(355)
Contributions	992	2,000	1,008
Debt service	10,515	64,500	53,985
Capital outlay	10,004	11,700	1,696
Legion Hut expense	763	600	(163)
Landscape maintenance	12,030	12,000	(30)
Railroad lease	800	800	
Miscellaneous	1,207	1,000	(207)
Seniors Unlimited		1,000	1,000
EMS expense	3,600		(3,600)
Rosewood expense	35		(35)
Safety program	13,044	5,000	(8,044)
Ordinance recodification	1,750	5,000	3,250
Rental expense	778	900	122
Veteran's memorial	1,834		(1,834)

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
ADMINISTRATION:			
Election expense	576		(576)
Building permit inspection expense	11,134	9,000	(2,134)
Cable advisory program	1,505		(1,505)
Community Development program	7,270	5,000	(2,270)
Planning grant	9,615		(9,615)
Donations to Pickens County	561,016	400,000	(161,016)
Ashton Ridge tax rebate		1,000	1,000
Bond anticipation expense	3,593		(3,593)
Grant waiting expense	<u>560</u>		<u>(560)</u>
	<u>933,545</u>	<u>749,273</u>	<u>(184,272)</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF EXPENDITURES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
POLICE DEPARTMENT:			
Salaries and wages - regular	354,875	361,190	6,315
Salaries and wages- overtime	12,594	5,000	(7,594)
Payroll taxes	36,095	28,806	(7,289)
Pension	40,078	40,291	213
Uniforms and accessories	6,415	5,000	(1,415)
Legal and accounting	488	700	212
Judge/Jury	9,004	10,800	1,796
Maintenance and service contracts	3,247	2,000	(1,247)
Maintenance and repairs to equipment	996	1,500	504
Computer expenses	3,613	6,000	2,387
Maintenance and repairs to buildings	9,478	15,000	5,522
Vehicle expense	17,119	20,000	2,881
Telephone	6,445	5,200	(1,245)
Department supplies	12,145	9,300	(2,845)
Seminars, conventions and meetings	944	1,000	56
Dues and subscriptions	730	1,000	270
Medical	75	500	425
Juvenile Center expenses	2,852	4,000	1,148
Shared fines – state	16,761	30,000	13,239
Film and processing	271	1,000	729
Victims' rights	35	2,000	1,965
Machinery/equipment (non capital)	946	1,000	54
Education expenses	2,488	3,000	512
OSHA immunizations	909	400	(509)
Debt service	40,430	25,000	(15,430)
Capital outlay	99,595	18,000	(81,595)
Prisoner expense	1,380	2,000	620
Taps expense	196	3,000	2,804
Miscellaneous	1,225	500	(725)
Postage	511	600	89
Resource Officer	1,522	3,000	1,478
Dare expense	1,522	1,000	1,000
	<u>683,462</u>	<u>607,787</u>	<u>(75,675)</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
FIRE DEPARTMENT:			
Salaries and wages – regular	134,850	126,778	(8,072)
Salaries and wages – overtime	15,520	8,000	(7,520)
Payroll taxes	11,620	10,310	(1,310)
Pension	15,726	14,421	(1,305)
Uniforms	3,557	4,000	443
Maintenance and repairs	8,723	7,600	(1,123)
Vehicle expense	5,753	5,000	(753)
Telephone	7,207	3,000	(4,207)
Department supplies	8,341	6,500	(1,841)
Seminars, conventions and meetings	4,024	4,000	(24)
Utilities	1,990	1,000	(990)
Dues and subscriptions	1,018	500	(518)
Fire calls reimbursement	26,364	21,000	(5,364)
Discretionary funds	6,456	6,000	(456)
Medical	5,692	6,000	308
1% expenses	8,069		(8,069)
Office supplies	1,894	2,100	206
Fire prevention	1,523	1,500	(23)
Fund raising expense	217		(217)
Capital outlay	33,430	8,400	(25,030)
FEMA expense		30,000	30,000
Debt service	9,077		(9,077)
Volunteer expense	6,148		(6,148)
Miscellaneous	559		(559)
	<u>317,758</u>	<u>266,109</u>	<u>(51,649)</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF EXPENDITURES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
PUBLIC WORKS:			
Salaries and wages – regular	129,109	123,259	(5,850)
Salaries and wages – overtime	450	4,000	3,550
Payroll taxes	10,048	10,194	146
Pension	8,717	9,128	411
Uniforms	3,968		(3,968)
Recycling expense	11,337	12,000	663
Animal control	5,185	4,000	(1,185)
Maintenance and repairs	3,373	6,000	2,627
Vehicle expense	13,188	5,000	(8,188)
Insurance, bonds and licenses	75		(75)
Telephone	1,022	500	(522)
Department supplies	7,438	8,300	862
Utilities	39,868	30,000	(9,868)
Medical	144	1,000	856
Asphalt, etc.	1,220	1,000	(220)
Small hand tools	1,005	1,000	(5)
Donations		100	100
Capital outlay		10,000	10,000
Debt service	14,374	13,600	(774)
Rent		500	500
	<u>250,521</u>	<u>239,581</u>	<u>(10,940)</u>

See accompanying notes and independent auditors' report.

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF EXPENDITURES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
RECREATION DEPARTMENT:			
Salaries and wages – regular	29,000	30,000	1,000
Payroll taxes	2,176	2,000	(176)
Pension	1,948	2,100	152
Maintenance and repairs	1,602	2,500	898
Vehicle expense	504	2,000	1,496
Uniforms and accessories	535	1,000	465
Telephone	2,979	1,000	(1,979)
Postage and printing	576	400	(176)
Department supplies	281	800	519
Utilities	7,983	6,500	(1,483)
Concession expense	2,758	8,000	5,242
Field and gym maintenance	3,650	5,300	1,650
Concession stand expense	130	800	670
Team equipment and supplies	10,344	8,000	(2,344)
Reference expense	4,657	6,500	1,843
Insurance	1,398	2,200	802
Program expenses	15,919	12,050	(3,869)
Legal and accounting		1,000	1,000
Medical		500	500
Capital Outlay	<u>2,079</u>		<u>(2,079)</u>
	<u>88,519</u>	<u>92,650</u>	<u>4,131</u>
TOTAL	<u>\$2,273,805</u>	<u>\$1,955,400</u>	<u>\$318,405</u>

See accompanying notes and independent auditors' report.

**CITY OF LIBERTY, SOUTH CAROLINA
SCHEDULE OF GENERAL FIXED ASSETS**

JUNE 30, 2003

GENERAL FIXED ASSETS:	
Land, buildings, and improvements	\$1,003,994
Machinery and equipment	970,158
Office equipment	<u>101,297</u>
 Total General Fixed Assets	 <u><u>\$2,075,449</u></u>
 INVESTMENT IN GENERAL FIXED ASSETS	 <u><u>\$2,075,449</u></u>

See accompanying notes and independent auditors' report.

CITY OF LIBERTY, SOUTH CAROLINA

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
JUNE 30, 2003**

	<u>BALANCE</u> <u>JULY 1, 2002</u>	<u>INCREASE</u> <u>(DECREASE)</u>	<u>BALANCE</u> <u>JUNE 30, 2003</u>
LAND, BUILDINGS AND IMPROVEMENTS:			
Improvements – prior to 1971	\$ 204,728	\$	\$ 204,728
Church property for City Hall	36,509		36,509
Pipe and repairs	1,281		1,281
Air conditioner	870	(870)	
Gas heater	310	(310)	
Parks and recreation	67,634		67,634
Gymnasium renovation	28,484		28,484
Police Station	33,142		33,142
Fire Station	90,227		90,227
Carpet	486		486
Storage building	50,725		50,725
2 Williams gas furnaces	3,640	(3,640)	
Heat and air conditioner improvements	20,270	(20,270)	
Refinish gym floor	2,900		2,900
Real estate (brown house)	7,455		7,455
City parking lot improvements	87,975		87,975
City park	50,080		50,080
“Welcome to Liberty” (Sign 1)	750		750
“Welcome to Liberty” (Sign 2)	720		720
Fencing-ball park	12,541		12,541
City Hall renovations	64,093		64,093
Garage repairs – Fire Department	1,835		1,835
Fence	1,246		1,246
Sidewalk repairs	17,700		17,700
52' Granger	6,000		6,000
Fire Department renovations	3,049		3,049
Baseball Field grading	6,000		6,000
Recreation Building	14,319		14,319
Garage door	1,738		1,738
Rosewood land	5,000		5,000
Rosewood building	78,000		78,000
Air conditioning condensing unit	1,700		1,700
Land Mt View/Blue Ridge	44,496		44,496
Fence – Church Street	750		750
Rosewood Center	55,968		55,968
Fence – Water Tower	4,040		4,040
Jail Renovations		17,580	17,580
Police Dept. windows		1,688	1,688
Police Dept. floor covering		3,155	3,155
	<u>1,006,661</u>	<u>(2,667)</u>	<u>1,003,994</u>
MACHINERY AND EQUIPMENT:			
1970 Fire truck	18,560		18,560
1989 Ford truck	18,400		18,400
1990 Chevrolet	13,861		13,861
1992 Fire truck	75,760		75,760
1993 Garbage truck	54,845		54,845
1995 Police car	21,852		21,852
1994 Police car	14,419		14,419

CITY OF LIBERTY, SOUTH CAROLINA

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS (CONTINUED)
JUNE 30, 2003**

	<u>BALANCE</u> <u>JULY 1, 2002</u>	<u>INCREASE</u> <u>(DECREASE)</u>	<u>BALANCE</u> <u>JUNE 30, 2003</u>
MACHINERY & EQUIPMENT (CONTINUED):			
1992 Fire Department Car	6,567		6,567
Truck	13,685		13,685
1996 Police car	23,444		23,444
Chipper	25,350		25,350
1996 Flatbed truck	28,650		28,650
International tractor	6,069		6,069
Tractor	2,200		2,200
1997 Police car	16,237		16,237
Boom mower	33,000		33,000
Backhoe and trailer	12,189		12,189
Siren	1,562		1,562
Fire House	1,971		1,971
Equipment	14,706		14,706
Sewer line cleaner	1,340		1,340
Trailer	558		558
Chain saw	1,164	(1,164)	
Vibrating roller	3,416		3,416
Brush clipper	6,682		6,682
Sweepster	2,415		2,415
Air compressor	547	(547)	
Air conditioner	150	(150)	
Whacker packer	600	(600)	
18" bucket	656		656
Edger	152	(152)	
Gardening equipment	918	(918)	
Snow plows	2,877		2,877
Mowers	4,711		4,711
Portable smoke detector	222	(222)	
Communications equipment	63,860		63,860
Tanks and air packs	5,816		5,816
Fire equipment	17,216		17,216
Pistols	3,089		3,089
Skid unit	5,718		5,718
Detroit diesel	4,438		4,438
Speed reader (mobile)	6,572		6,572
Radio set Fire Department	3,004		3,004
Blazer Public Works	4,500		4,500
2 Computers	7,467		7,467
Radio system	11,694		11,694
Fire Department stove	582		582
Fire Department refrigerator	933		933
1999 Crown Victoria	24,248		24,248
1993 Crown Victoria (2)	6,891		6,891
Police surveillance systems	3,500		3,500

CITY OF LIBERTY, SOUTH CAROLINA

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS (CONTINUED)
JUNE 30, 2003**

	<u>BALANCE</u> <u>JULY 1, 2002</u>	<u>INCREASE</u> <u>(DECREASE)</u>	<u>BALANCE</u> <u>JUNE 30, 2003</u>
MACHINERY AND EQUIPMENT (CONTINUED):			
Generator	1,485		1,485
Police radios	4,769		4,769
Air conditioning units	1,117		1,117
Scott air paks	7,830		7,830
Fire Department furniture	689		689
Computer	967		967
2000 Crown Victoria	21,710		21,710
Uniforms (5)	4,218		4,218
Fire Department radio	796		796
John Deere F-725	5,763		5,763
Shredder/hopper	4,237		4,237
Rear loader garbage truck	83,062		83,062
2000 Crown Victoria	22,130		22,130
3 Utility trucks	1,039		1,039
Ice machine	1,864		1,864
External defibrillator	4,500		4,500
2001 Chevrolet pickup truck	16,033		16,033
4 Handguns	2,576		2,576
3 Radar guns	1,999		1,999
Rescue truck equipment	2,345		2,345
Dog kennel	1,385		1,385
2000 Crown Victoria	22,580		22,580
2001 Crown Victoria	25,454		25,454
2001 Crown Victoria	25,002		25,002
2001 Crown Victoria	24,129		24,129
MDS Matrx	4,346		4,346
Power Edge	1,692		1,692
2003 Ford Crown Victoria		24,306	24,306
2003 Ford Crown Victoria		24,305	24,305
2003 Ford F-250 Truck		25,742	25,742
9 Fire Dept. Pagers		3,082	3,082
High Gain Antenna		1,417	1,417
Rec. Dept. Ice maker		<u>2,079</u>	<u>2,079</u>
	<u>892,980</u>	<u>77,178</u>	<u>970,158</u>

CITY OF LIBERTY, SOUTH CAROLINA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS (CONTINUED)
JUNE 30, 2003

	<u>BALANCE</u> <u>JULY 1, 2002</u>	<u>INCREASE</u> <u>(DECREASE)</u>	<u>BALANCE</u> <u>JUNE 30, 2003</u>
OFFICE FURNITURE AND EQUIPMENT:			
Desks and chairs	11,217		11,217
Telephone system	7,507		7,507
Copiers	4,386	(4,386)	
Computer equipment	20,341	(20,341)	
Water cooler	417		417
Computer	2,177		2,177
Software	4,390		4,390
Software	2,732		2,732
Copier	3,000		3,000
Computer	2,651		2,651
Computer	1,130		1,130
Computer/digital camera	2,573		2,573
Printer	1,627		1,627
Software	1,750		1,750
Computer	1,916		1,916
Computer	2,423		2,423
Computer	920		920
Printer	317		317
Computer	2,370		2,370
Computer	10,426		10,426
CSI software		10,004	10,004
Dell Dimension 8250 computer		1,942	1,942
Dell S 2500 laser printer		529	529
Dell Power Edge 600SC computer		2,815	2,815
Police Dept. software		12,750	12,750
2 Dell Dimension 8250 computers		4,626	4,626
2 Dell multi sync lcd monitors		748	748
Dell 3200 MP projector		2,291	2,291
CISCO 2650 SM high performance computer		2,859	2,859
Firehouse software		3,190	3,190
	<u>84,270</u>	<u>17,027</u>	<u>101,297</u>
TOTAL GENERAL FIXED ASSETS	<u>\$1,983,911</u>	<u>\$91,538</u>	<u>\$2,075,449</u>

See accompanying notes and independent auditors' report.

CITY OF LIBERTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS – ACTUAL
COMPARED TO BUDGETARY BASIS – ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>ACTUAL</u>	<u>ADJUSTMENT TO BUDGETARY BASIS</u>	<u>ACTUAL TO BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
OPERATING REVENUES:					
Water billings	\$ 778,523	\$	\$ 778,523	\$ 801,800	\$ (23,277)
Sewer billings	<u>442,563</u>		<u>442,563</u>	<u>460,000</u>	<u>(17,437)</u>
Total Operating Revenues	1,221,086		1,221,086	1,261,800	(40,714)
OPERATING EXPENSES:					
WATER DEPARTMENT:					
Salaries and wages – regular	45,896		45,896	57,479	11,583
Salaries and wages – overtime	4,852		4,852	5,000	148
Unemployment	255		255		(255)
Health insurance	5,157		5,157	5,000	(157)
Payroll taxes	4,049		4,049	4,780	731
Pension	4,677		4,677	4,280	(397)
Workers' compensation/liability	5,829		5,829	4,700	(1,129)
Uniforms	1,566		1,566	2,000	434
Legal & accounting	8,492		8,492	6,000	(2,492)
Lab fees	1,930		1,930	1,750	(180)
Purchased water	522,378		522,378	400,000	(122,378)
Repairs to equipment	5,730		5,730	4,500	(1,230)
Equipment lease	110		110	800	690
Vehicle expense	3,549		3,549	6,000	2,451
Insurance, bonds and licenses				200	200
DHEC fee	6,561		6,561	7,500	939
Telephone	4,206		4,206	2,700	(1,506)
Postage	3,637		3,637	5,000	1,363
Office	5,656		5,656	3,000	(2,656)
Seminars, conventions and meetings	390		390	2,000	1,610
Utilities	8,015		8,015	7,500	(515)
Dues and subscriptions	550		550	300	(250)
Water consultant fees	2,580		2,580		(2,580)
Water grant writing and research	560		560		(560)

CITY OF LIBERTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS – ACTUAL
COMPARED TO BUDGETARY BASIS – ENTERPRISE FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>ACTUAL</u>	<u>ADJUSTMENT TO BUDGETARY BASIS</u>	<u>ACTUAL TO BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
Janitorial	341		341	200	(141)
Medical services and supplies				200	200
Asphalt, cement, etc.	645		645	1,000	355
Supplies	22,322		22,322	23,000	678
Machinery and equipment				2,000	2,000
Refunds	1,029		1,029	1,000	(29)
Contributions				200	200
	<u>670,962</u>		<u>670,962</u>	<u>558,089</u>	<u>(112,873)</u>
SEWER DEPARTMENT:					
Salaries and wages – regular	47,644		47,644	57,479	9,835
Salaries and wages – overtime	5,357		5,357	5,000	(357)
Unemployment	280		280		(280)
Health insurance	1,668		1,668	5,000	3,332
Payroll taxes	3,841		3,841	4,780	939
Retirement	3,567		3,567	4,280	713
Equipment rental	33		33	500	467
Seminars, conventions and meetings	17		17	1,000	983
Dues and subscriptions				200	200
Medical services and supplies				200	200
Legal and accounting	3,648		3,648	10,000	6,352
Consulting	2,743		2,743	2,000	(743)
Maintenance and repairs to equipment	4,994		4,994	4,500	(494)
Insurance, bonds and licenses	5,680		5,680	4,700	(980)
Postage	150		150	3,000	2,850
Department supplies	6,474		6,474	10,500	4,026
Collection fees	3,129		3,129	2,500	(629)
Utilities	1,143		1,143	7,500	6,357
Office	1,475		1,475	1,036	(439)
Railroad lease	120		120		(120)
Grant writing and research	560		560		(560)
	<u>92,523</u>		<u>92,523</u>	<u>124,175</u>	<u>31,652</u>

CITY OF LIBERTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -ACTUAL
COMPARED TO BUDGETARY BASIS – ENTERPRISE FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>ACTUAL</u>	<u>ADJUSTMENT TO BUDGETARY BASIS</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE UNFAVORABLE</u>
County Facility Fees	240,929		240,929	380,000	139,071
Depreciation	141,832	141,832			
Amortization	203	203			
	<u>382,964</u>	<u>142,035</u>	<u>240,929</u>	<u>380,000</u>	<u>139,071</u>
 Total Operating Expenses	 <u>1,146,449</u>	 <u>142,035</u>	 <u>1,004,414</u>	 <u>1,062,264</u>	 <u>57,850</u>
 Operating Income	 74,637	 142,035	 216,672	 199,536	 17,136
NONOPERATING REVENUES (EXPENSES):					
Interest income	785		785		785
Interest expense	<u>(14,533)</u>		<u>(14,533)</u>	<u>(22,850)</u>	<u>8,317</u>
 Total Non-operating Revenues (Expenses):	 <u>(13,748)</u>		 <u>(13,748)</u>	 <u>(22,850)</u>	 <u>9,102</u>
 Net Income	 60,889	 142,035	 202,924	 176,686	 26,238
 RETAINED EARNINGS, BEGINNING	 <u>393,123</u>		 <u>393,123</u>	 <u>393,123</u>	
 RETAINED EARNINGS, ENDING	 <u>\$ 454,012</u>	 <u>\$ 142,035</u>	 <u>\$ 596,047</u>	 <u>\$ 569,809</u>	 <u>\$ 26,238</u>

See accompanying notes and independent auditors' report.

CITY OF LIBERTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

There are no findings or questioned costs.

SUMMARY OF AUDITOR'S RESULTS

A qualified opinion was issued on the general purpose financial statements for the year ended June 30, 2003. The audit disclosed no instances of noncompliance which were material to the financial statements of the City of Liberty. A qualified opinion on compliance for major programs was also issued.

For the Year ended June 30, 2003, the City's federal programs were not assessed as low-risk programs, and a \$300,000 threshold was used to distinguished between Type A and Type B programs.

The major program for the year ended June 30, 2003 was the Appalachian Regional Commission Grant (CFDA # 23.001).

City of Liberty

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Total Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Appalachian Council of Governments Appalachian Regional Commission Grant Big Mill Village Sewer Project	23.001	4-G-01-001	\$275,531
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Appalachian Council of Governments Community Development Block Grant Big Mill Village Sewer Project	14.228	4-L-00-028	41,925
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Appalachian Council of Governments Community Development Block Grant Neighborhood Revitalization Plan	14.228	4-R-01-004	9,615
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Office of Justice Programs Passed through South Carolina Department of Public Safety Liberty Police Department School Resource Officer	16.579	1FO2012	25,663
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Office of Justice Programs Passed through South Carolina Department of Public Safety Liberty Police Department Technology Upgrade	16.592	1Y02016	18,564
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Office of Justice Programs Passed through South Carolina Department of Corrections Juvenile Facility Additions and Upgrades	16.586	V9810	13,702
			<u>\$385,000</u>

CITY OF LIBERTY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Liberty and is presented on the 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*.

INDEPENDENT AUDITORS' REPORT OF COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.

Honorable Mayor and Members of the City Council
City of Liberty
Liberty, South Carolina

We have audited the general purpose financial statements of the City of Liberty as of and for the year ended June 30, 2003, and have issued our report thereon dated December 15, 2003. In our report, our opinion was qualified because the general purpose financial statements do not include all of the fixed assets which should be included to conform with U. S. generally accepted accounting principles.

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 City of Liberty's general purpose 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 general purpose 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 the City of Liberty'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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned conditions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Mayor and Members of the City Council
City of Liberty
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This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Curry & Associates P.A.
Curry & Associates, P.A.

December 15, 2003

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

Honorable Mayor and Members of the City Council
City of Liberty
Liberty, South Carolina

Compliance

We have audited the general purpose financial statements of the City of Liberty as of and for the year ended June 30, 2003, and have issued our report thereon dated December 15, 2003. In our report, our opinion was qualified because the general purpose financial statements do not include all of the fixed assets which should be included to conform with U.S. generally accepted accounting principles.

We have audited the compliance of the City of Liberty 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. The City of Liberty's major federal program is 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 management. Our responsibility is to express an opinion on the City of Liberty's compliance based on our audit.

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

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Honorable Mayor and Members of the City Council
City of Liberty
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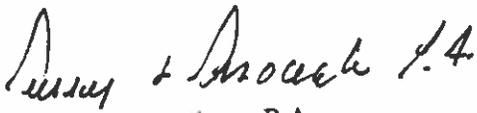
In our opinion, the City of Liberty complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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 for the information of management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


Curry & Associates, P.A.

December 15, 2003