



PUBLIC COMMENT

SIGN IN SHEET

February 18, 2014

6:00 PM

Limited to forty [40] minutes, four [4] minutes per person.

Please be advised that citizens not utilizing their full four [4] minutes may not "donate" their remaining time to another speaker. As stated above, each speaker is restricted to a maximum of four [4] minutes.

Citizens with comments related to a specific action agenda item will be called first.

If time permits additional citizens may be permitted to speak on a non agenda items [at the discretion of the Chair].

PRINT Information Below

	FULL NAME	AGENDA ITEM FOR DISCUSSION	NON-AGENDA ITEMS
1	Ward Felton		Oconee Courthouse Ven
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Everyone speaking before Council will be required to do so in a civil manner.

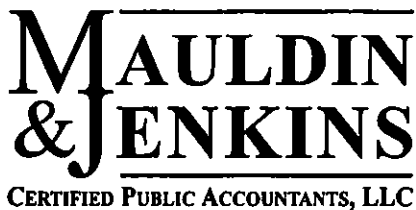
Council will not tolerate personal attacks on individual council members, county staff or any person or group.

Racial slurs will not be permitted. Council's number one priority is to conduct business for the citizens of this county.

All citizens who wish to address Council and all Boards and Commission appointed by Council should do so in an appropriate manner.

NOTE: Non Agenda Item matters can be addressed except for those which, due to law or proper protocol, would be inappropriate for public meetings of Council, such as, but not limited to, partisan political activity and/or comments.

Council may make closing comments directly following the public & extended public comment sessions if time permits.



**To the Members of the Oconee County Council
Walhalla, South Carolina**

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the basic financial statements of Oconee County, South Carolina for the year ended June 30, 2013.

The following items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the County's practices and procedures.

1) Unrecorded Certificate of Deposit

During our audit of cash, County officials brought to our attention that a certificate of deposit in the amount of \$12,742 had not been recorded on the County general ledger system. We recommend the County strengthen controls related to cash reconciliation and reporting so as to mitigate the possibility for the misappropriation of County assets.

2) Tri-County Technical College Prepaid Asset

During our audit of the Tri-County Tech Fund, we noted that the County recorded a prepaid expense; however there was no support for that item. The amount was properly reclassified as a due from other government receivable at year end after further investigation and discussion with management. We recommend the County strengthen controls related to financial reporting, so that adjustments are recorded and classified accurately in the County's general ledger system.

3) Amortization of Bond Premiums and Discounts

During our audit of long-term debt, we noted the County had previously used the straight line method to amortize bond issue premiums/discounts. Generally accepted accounting principles require the use of the effective interest method of amortization. We recommend the County use the effective interest method for amortization of all bond issue premiums/discounts in the future so as to comply with accounting principles generally accepted in the United States of America.

4) Grant Accounting Structure and Cross-training

During our audit of the County's grant programs, we noted that the County personnel with direct responsibility for all Federal and State grant activity were not supervised by the Administrative Services Department. We also noted that there seemed to be no cross-training of employees responsible for grant accounting. The lack of cross training caused significant delays in finalizing the County's financial statements for the fiscal year ended June 30, 2013. Based on

the predominantly financial nature of grant administration and accounting, we recommend that the County move the grants department under the Administrative Services/Finance function and properly cross-train all grant department personnel, so as to strengthen existing internal controls in order to foster open lines of communication, as well as compliment the reporting and reconciliation aspects of grant accounting and administration.

5) Audit Timing

During our audit of the County, a number of reports were not available until late in November 2013 which were required to properly test the respective amounts reported in the County's financial statements. Due to significant delays in the receipt of these reports and posting of the related journal entries, we were unable to meet the County's desired deadline for completion of the audit report as communicated during the proposal process. In order to achieve our goal of a report release date of early to mid-November, we recommend the County have the following items finalized and related journal entries posted prior to our arrival for fieldwork:

- Capital Asset Schedules for the governmental and proprietary funds.
- The schedule of expenditures of federal awards
- Health claims payable and related expenditures
- Rock Quarry accounts receivable, inventory, other post-employment benefits (OPEB) and accrued leave

This letter is intended solely for the information and use of the County Council of Oconee County, South Carolina, its management and other officials, 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.

We appreciate the opportunity to serve Oconee County, South Carolina and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Mauldin & Jenkins, LLC

Macon, Georgia
December 23, 2013

Oconee County, South Carolina



*Annual Audit Agenda Presentation of
Financial & Compliance Audit Results*

June 30, 2013

Presented by:
David Irwin, CPA

**MAULDIN
& JENKINS**
CERTIFIED PUBLIC ACCOUNTANTS, LLC

Oconee County, South Carolina

Annual Audit Agenda

June 30, 2013

PURPOSE OF ANNUAL AUDIT AGENDA

- ◆ Engagement Team and Firm Information.

- ◆ Overview of:
 - Audit Opinion;
 - Financial Statements, Footnotes and Supplementary Information;
 - Compliance Reports;
 - Audit Scopes & Procedures.

- ◆ Required Communications under Government Auditing Standards.

- ◆ Accounting Recommendations and Related Matters.

- ◆ Answer Questions.



Oconee County, South Carolina

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MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

General Information:

- Founded in ~1920.
- Large regional firm serving the Southeastern United States.
- Offices located in Atlanta, GA, Macon, GA, Albany, GA, Bradenton, FL, Chattanooga, TN and Birmingham, AL, with firm governmental leadership positioned in the Atlanta and Macon offices.
- Approximately 280 personnel are employed at Mauldin & Jenkins.

Governmental Sector:

- Largest specific industry niche served by Firm representing 25% of Firm practice.
- Serve more governmental entities in Georgia than any other certified public accounting firm requiring over 60,000 hours of service on an annual basis.
- Approximately 65 professional staff persons with current governmental experience.
- Current auditor for over 200 total governments in the Southeast, including approximately:
 - ✓ 60 cities;
 - ✓ 35 counties;
 - ✓ 35 school systems (8 of the 10 largest in Georgia and 10 of the 30 largest in Georgia and Florida combined);
 - ✓ 15 state entities; and,
 - ✓ 55 special purpose entities (stand-alone business type entities, libraries, etc).
- Serves 67 governments receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- Auditor of a substantial part of the State of Georgia including: approximately 25% of the State's general fund; 13 of the State of Georgia's component units.

Engagement Team Leaders for Oconee County, South Carolina Include:

- Miller Edwards - Engagement Lead Partner - 27 years experience, 100% governmental
- Meredith Lipson - Quality Assurance Partner - 19 years experience, 100% governmental
- David Irwin - Director - 11 years experience, 100% governmental

Oconee County, South Carolina

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MAULDIN & JENKINS – ADDITIONAL INFORMATION

Other Industries & Services by Mauldin & Jenkins:

Each of Mauldin & Jenkins' offices provides a wide variety of services to a broad range of clientele. We have partners and managers who are responsible for specialized practice areas of auditing and accounting, taxes and management advisory services. Their purpose, as leaders in the particular practice area, is to establish policies with respect to technical matters in these specific areas and ensure that the quality of the Firm's practice is maintained.

Industries Served: Over the years our partners have developed expertise in certain industries representative of a cross section of the Southeastern economy, including:

- Governmental Entities (state entities, cities, counties, school systems, business type operations, libraries, and other special purpose entities)
- SEC Registrants
- Wholesale Distribution
- Agri-Businesses
- Manufacturing
- Professional Services
- Employee Benefit Plans
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Non-Profit Organizations
- Retail Businesses
- Long-term Healthcare
- Construction & Development
- Individuals, Estates and Trusts
- Real Estate Management

Services Provided: This diversity of practice enables our personnel to experience a wide variety of business, accounting and tax situations. We provide the traditional and not-so-traditional services such as:

- Financial Audit / Review / Compilation
- Compliance Audits & Single Audits
- Agreed-Upon Procedures
- Forensic Audits
- Bond Issuance Services
- Performance Audits
- State Sales Tax Matters
- International Tax Matters
- Business & Strategic Planning
- Profitability Consulting
- Budgeting
- Buy-Sell Agreements & Business Valuation Issues
- Income Tax Planning & Preparation
- Multi-State Income Tax Issues
- Information Systems Consulting
- Cost Accounting Analysis
- Healthcare Cost Reimbursement
- Outsourced Billing Services
- Fixed Asset Inventories
- Succession & Exit Strategy Consulting
- Estate Planning
- Management Information Systems
- Employee Benefit Plan Administration
- Merger / Acquisition & Expansion Financing

Oconee County, South Carolina

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INDEPENDENT AUDITOR'S REPORT

The standard independent auditor's report for governmental units has specific sections of significance to readers of the financial report.

Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management.

Auditor's Responsibility

Our responsibility, as external auditors, is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We planned and performed our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Opinion

We have issued an unmodified audit report (i.e., "clean opinion"). The financial statements of are considered to present fairly the financial position and results of operations as of, and for the year ended June 30, 2013.

Emphasis of Matter

The financial statements reflect the implementation of certain new pronouncements, and our opinions are not modified with respect to them.

Other Matters

Certain required supplementary information and other information is included in the financial report, and as directed by relevant auditing standards, we have not expressed an opinion or provided any assurance on the respective information.

Other Reporting

Government Auditing Standards require auditors to issue a report on our consideration of internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. We have issued such a report and reference to this report is included in the independent auditor's report.

Oconee County, South Carolina

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REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

General Information About the CAFR

A Comprehensive Annual Financial Report (CAFR) goes beyond the normal financial reporting required by accounting principles generally accepted in the United States. A CAFR includes at a minimum the following elements/sections:

- **Introductory Section:** general information on the County's structure and the services it provides.
 - Letter of Transmittal
 - Organizational Chart
 - Directory of Officials
 - Certificate of Achievement for Excellence in Financial Reporting
- **Financial Section:** basic financial statements, footnotes and required supplementary information along with the auditor's report.
 - Independent Auditor's Report
 - Management Discussion & Analysis (MD&A)
 - Financial Statements and Footnotes
- **Statistical Section:** broad range of financial, demographic information useful in assessing the County's economic condition, and this information covers multiple years.
 - Financial Trends Information
 - Revenue Capacity Information
 - Debt Capacity Information
 - Operating Information

In the end, a CAFR goes far beyond the basic requirements of annual financial reporting, and the County should be commended for going beyond the minimum and providing such a report.

Oconee County, South Carolina

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REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Recognition and Award

Once completed, the fiscal year 2012 CAFR was submitted to the Government Finance Officers Association (GFOA) for determination if the report would merit the GFOA's Certificate of Achievement for Excellence in Financial Reporting. We are happy to inform everyone that the GFOA did indeed review the CAFR and awarded the County with the sought after Certificate.

The GFOA Certificate has been made a part of the County's 2013 fiscal year CAFR, and is included in the Introductory Section.



OVERVIEW OF FINANCIAL STATEMENTS

The County's basic financial statements include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements.

The **government-wide financial statements** provide a broad overview of all of the County's funds, as well as its discretely presented component units – the Kenwee Fire Tax District. The *Statement of Net Position* presents information on all assets and liabilities of the County, with the difference between the two reported as net assets. The *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year. Revenues are categorized as program revenues or general revenues. Expenses are categorized by function.

The **fund financial statements** more closely resemble the financial statements as presented prior to the adoption of GASB Statement No. 34. All of the funds of the County can be divided into three categories: governmental funds, business-type funds, and fiduciary funds.

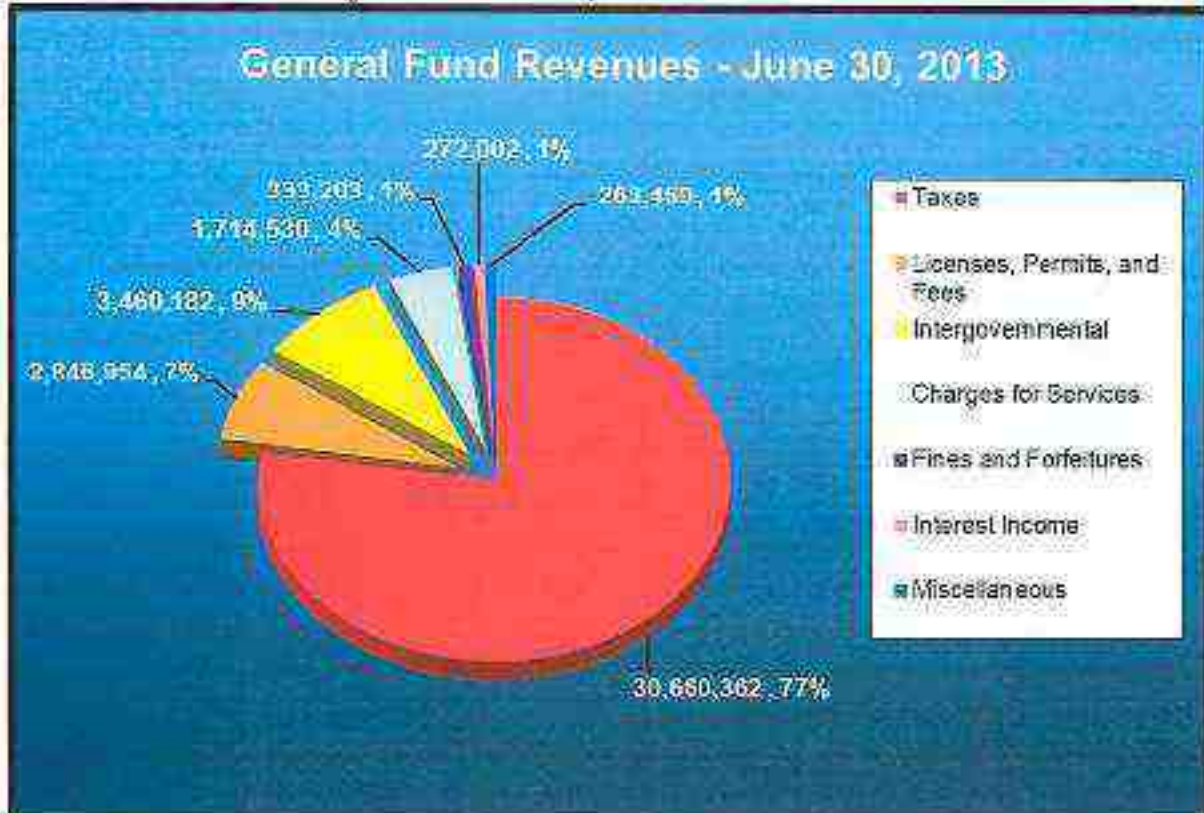
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General Fund

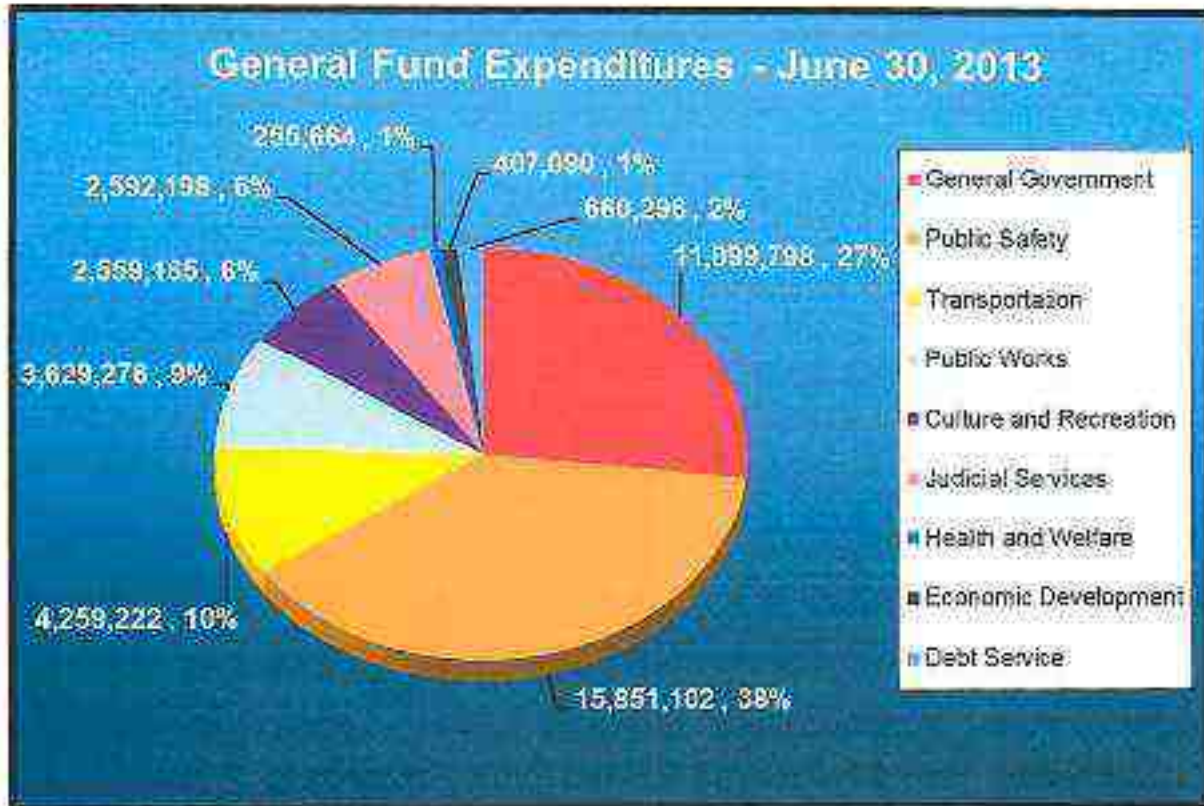
Of primary interest to the County is the General Fund, which accounts for the majority of revenues received and funds expended in the operations of the County, including administration, judicial activities, public safety, public works, culture and recreation, and housing and development. The following charts present the sources of revenues and the expenditures of the General Fund for the fiscal year ended June 30, 2013:



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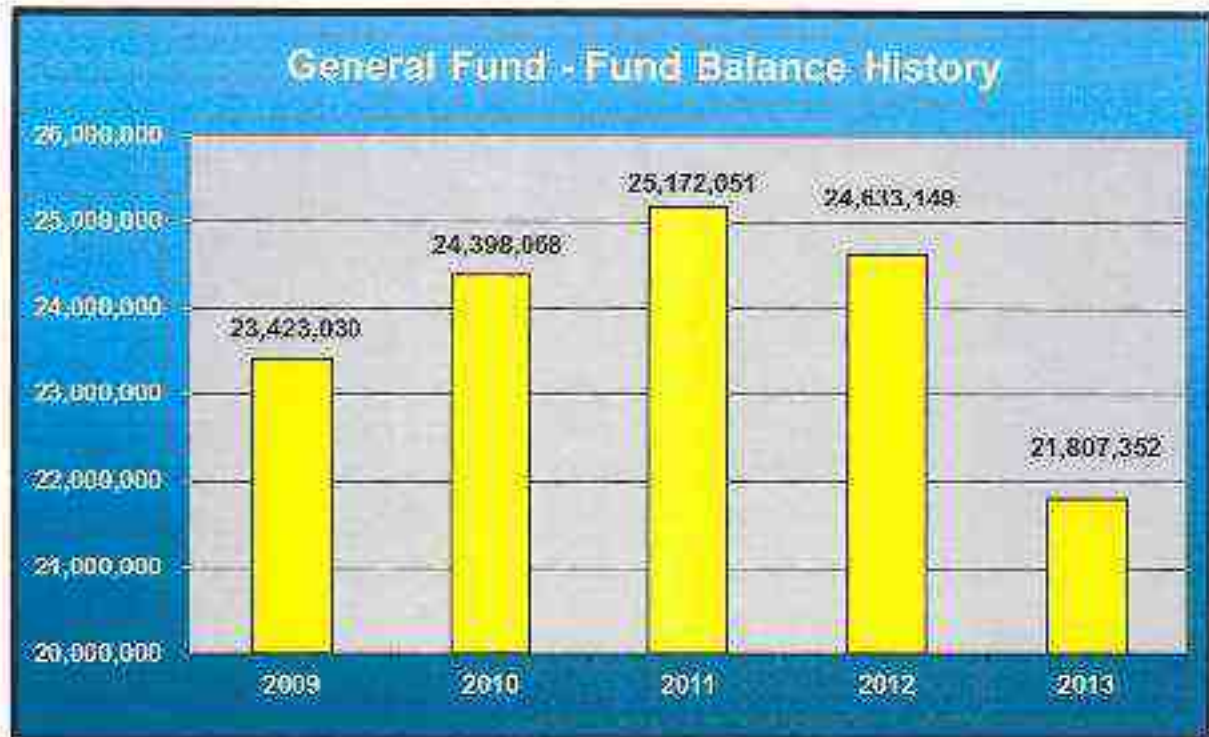
Total fund balance of the General Fund at June 30, 2013, was a positive \$21,807,352. Fund balance does not necessarily equal cash on hand and available to spend. Fund balance is the difference between assets and liabilities, only a portion of which is cash available to be spent. While the General Fund has cash and cash equivalents and investments on hand at June 30, 2013, of \$3,607,999, the General Fund also has \$2,093,046 in current liabilities due to outside parties and employees. The County's General Fund also has at June 30, 2013, deferred inflows of resources totaling approximately \$970,000 in unearned/unavailable revenues. Additionally, the General Fund incurs expenditures of approximately \$3.4 million per month.

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The following is a history of the total ending fund balance of the General Fund over the past five years:



Other Governmental Funds

The County also maintains nine (9) special revenue funds (Emergency Services Protection District, Sheriff's Victim Assistance, Miscellaneous Special Revenue, Solicitor's Victim Assistance, 911, State Accommodations, Local Accommodations, Library State Aid and Tri County Tech Funds), three (3) capital projects funds (Capital Projects, Economic Development and Bridge and Culvert Capital Projects Funds) and a debt service fund. These funds account for revenues derived from specific sources which are legally restricted to finance particular functions or activities.

Oconee County, South Carolina

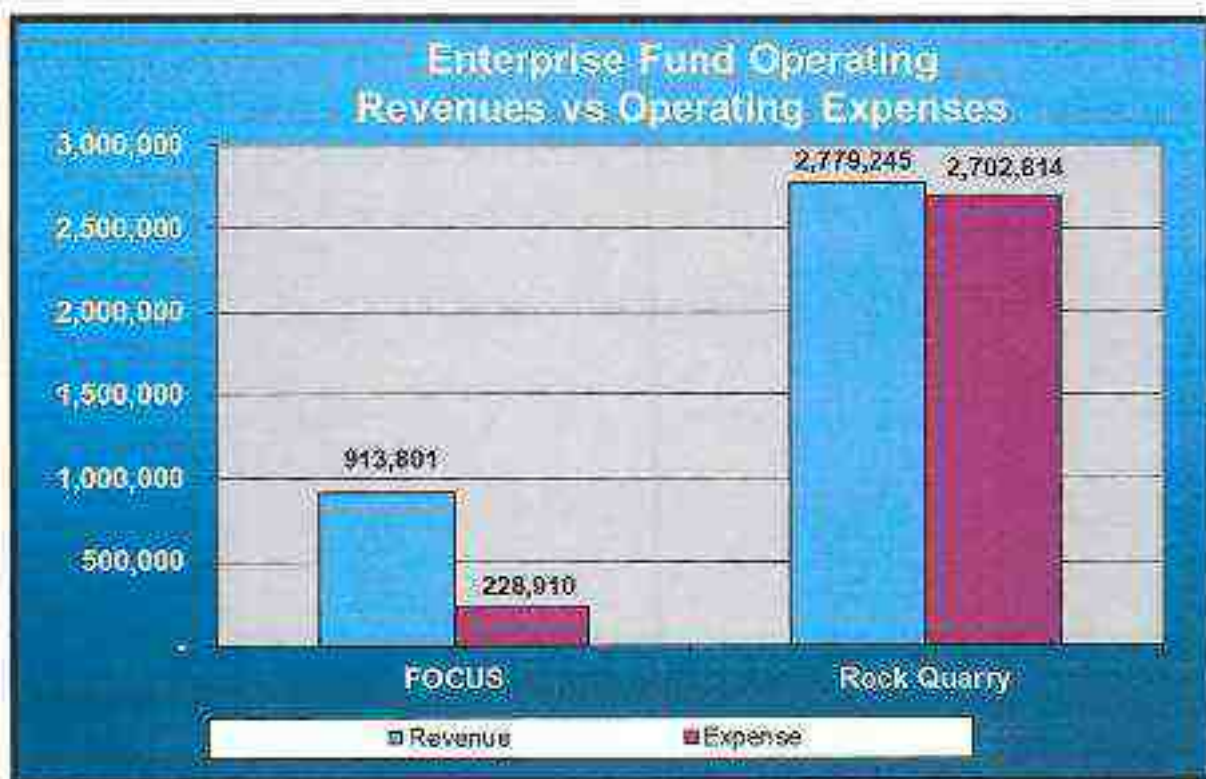
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Enterprise Funds

The County maintains two enterprise funds which are used to account for operations in a manner similar to private business enterprises – where the intent is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. These include the FOCUS Fund and the Rock Quarry Fund.

Both of the County's enterprise funds generated revenues sufficient to cover the costs of operations for the year ended June 30, 2013 as reflected in the following graph.



Fiduciary Funds

The County maintains the following agency funds – School District of Oconee County (SDOC) General Fund, SDOC Debt Retirement, Fireman's Insurance and Inspection, Municipal Tax, Keowee Key Fire District, Delinquent Tax, Sheriff's Office, Clerk of Court, Family Court, Magistrate Funds, Probate Court, Register of Deeds and Solicitor's Worthless Check Program – which are used to account for the collection and disbursement of funds by the County on behalf of other governments and individuals.

Oconee County, South Carolina

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COMPLIANCE REPORTS

The financial report package contains two (2) compliance reports.

Yellow Book Report - The first compliance report is a report on our tests of the County's internal controls and compliance with laws, regulations, etc. The tests of internal controls were those we determined to be required as a basis for designing our financial statement auditing procedures. Such tests also considered the County's compliance with which could have a direct and material effect on the determination of financial statement amounts. In accordance with the respective standards, the report is not intended to provide an opinion, but to provide a form of negative assurance as to the County's internal controls and compliance with applicable rules and regulations.

Single Audit Report - The second compliance report is a report on our tests of the County's internal controls and compliance with laws, regulations, etc. relative to certain Federal grant programs and the respective expenditures. In accordance with the respective standards, we did provide an unqualified (or positive) opinion on the County's compliance based on our audit. However, we were not required to provide an opinion on the relevant internal controls, but to provide a form of negative assurance on such controls.

AUDIT SCOPES AND PROCEDURES

1. Governmental audit programs were used in all areas.
2. We confirmed trade accounts receivable. Due to the timing of the audit as compared to the fiscal year end, a poor response rate was noted. Therefore, we performed alternate procedures to verify existence of the amounts.
3. For purposes of assessing the adequacy of the allowance for doubtful accounts, we reviewed the aging of accounts receivable, and considered the current economic environment coupled with recent history of the County. We also reviewed subsequent collection activity.
4. We reviewed supporting documentation for a sample of additions to capital assets during the year ended June 30, 2013.
5. We performed a search for unrecorded liabilities via review of unpaid vouchers and subsequent disbursements.

Oconee County, South Carolina

Annual Audit Agenda

June 30, 2013

REQUIRED COMMUNICATIONS

The Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

Our audit of the financial statements of the County for the year ended June 30, 2013, was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. 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. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplishes that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the County's internal control or compliance with laws and regulations.

Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the County. The County implemented GASB 63 and early implemented GASB 65 during the current year which significantly changed the face of the government wide and enterprise fund financial statements as well as the reporting of certain items within these statements. There are other new accounting standards which will be required to be implemented in the coming years. These are discussed later in this document.

In considering the qualitative aspects of the County's accounting policies, we did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. The County's policies relative to the timing of recording of transactions are consistent with GAAP and typical government organizations.

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Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We considered this information and the qualitative aspects of management's calculations in evaluating the County's significant accounting estimates. Estimates significant to the financial statements include such items as the estimated allowance for uncollectible accounts receivable and the estimated claims payable.

Financial Statement Disclosures

The footnote disclosures to the financial statements are also an integral part of the financial statements. The process used by management to accumulate the information included in the disclosures was the same process used in accumulating the financial statements and the accounting policies described above are included in those disclosures. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit and in forming our opinion on the financial statements.

Significant Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments

During our audit of the County's basic financial statements as of and for the year ended June 30, 2013, there were several adjustments proposed to the funds of the County. The detail of all audit adjustments for each fund are included with our Audit Agenda package of information for your review and discussion. All adjustments have been discussed with management.

Uncorrected Misstatements

We had no passed adjustments.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Oconee County, South Carolina

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Representation from Management

We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.

Management's Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements. We are not aware of any consultations management had with us or other accountants about accounting or auditing matters. No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Independence

We are independent of the County, and all related organizations, in accordance with auditing standards promulgated by the American Institute of Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the County.

Oconee County, South Carolina

Annual Audit Agenda

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ACCOUNTING RECOMMENDATIONS AND RELATED MATTERS

RECOMMENDATIONS FOR IMPROVEMENT

During our audit of the financial statements as of and for the year ended June 30, 2013, we noted several areas within the accounting and internal control systems that we believe can be improved. We noted certain items management should consider as part of its decision-making process. Our recommendations (also commonly referred to as management points) are presented in the following paragraphs. We believe consideration of these recommendations will help provide proper control over financial activities, and add effectiveness and efficiency to overall operations.

Items Cited in the County's Financial Statements as Material Weaknesses

2013-1. Management of Unearned Revenues

Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures in the current period. The County did not properly record the property tax revenues or the unearned portion of property taxes in the Emergency Services Protection District and Tri-County Tech Funds and did not properly record revenue and unearned revenue in the Capital Projects Fund during the year ended June 30, 2013. We addressed this matter with County officials and they were able to determine the amount of property tax revenues and the unearned portion of property taxes that should be recorded in these funds as of June 30, 2013. An audit adjustment to increase revenues and decrease unearned revenues was required to be reported within the Emergency Services Protection Fund (\$30,101 adjustment), the Tri-County Tech Fund (\$26,112 adjustment), and the Capital Projects Fund (\$82,697 adjustment) as of June 30, 2013. We recommend the County implement procedures to reconcile all unearned tax revenue subsidiary ledgers to the general ledger on a consistent and timely basis.

2013-2. Management of Unearned Grant Revenues

Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures in the current period. The County did not properly record grant revenues or the unearned portion of grant revenues in the Capital Projects Fund during the year ended June 30, 2012. We addressed this matter with County officials and they were able to determine the amount of grant revenues and the unearned portion of these revenues that should be recorded in this fund as of June 30, 2012. A prior period audit adjustment to increase fund balance and decrease unearned grant revenues was required to be reported within the Capital Projects Fund (\$144,707 adjustment), as of June 30, 2012. We recommend the County implement procedures to reconcile all earned and unearned grant revenue subsidiary ledgers to the general ledger on an annual basis.

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2013-3. Management of Accounts Receivable

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they became both measurable and available to finance expenditures of the current period. As a part of these processes, the County should review all revenue transactions to determine reporting in the proper period. The County did not properly record amounts due from other governments and grant revenues in the FOCUS Fund as of June 30, 2012 and June 30, 2013. We addressed this matter with County officials and they were able to determine the amount due from other governments and the amount of grant revenues that should be recorded in this fund as of June 30, 2012 and June 30, 2013. A prior period audit adjustment to decrease due from other governments in the amount of \$150,513 and decrease fund balance in the amount of \$150,513 was required to be reported within the FOCUS Fund as of June 30, 2012. An audit adjustment to decrease due from other governments in the amount of \$319,840 and decrease grant revenues in the amount of \$319,840 was required to be reported in the FOCUS Fund as of June 30, 2013. We recommend that the County establish procedures to review and reconcile all revenue transactions after year-end to determine reporting in the proper period.

2013-4. Management of Long-Term Liabilities

Generally accepted accounting principles require long-term obligations to be recorded in the accounting period in which they are incurred to acquire capital assets or to provide current financial resources for operational activities. Additionally, any debt bearing the name of the County should be reported in the County's financial statements. As a part of these processes, the County should review all related debt agreements and expenditure transactions to determine reporting in the proper period. The County did not properly record various transactions related to long term debt in the Governmental Activities Statement of Net Position and the Debt Service fund as of June 30, 2012 and June 30, 2013. We addressed this matter with County officials and they were able to determine the amount due from component units, debt service principal expenditures, debt service interest expenditures, and the amount of interest income that should be recorded in the Debt Service Fund and Governmental Statement of Activities as of June 30, 2012 and June 30, 2013. A prior period audit adjustment to increase due from component units in the amount of \$835,000, increase debt service principal expenditures in the amount of \$75,000, and increase fund balance in the amount of \$910,000 was required to be reported within the Debt Service Fund as of June 30, 2012. An audit adjustment to increase debt service interest expenditures in the amount of \$35,672 and increase interest income in the amount of \$35,672 was required to be reported in the Debt Service Fund as of June 30, 2013. An adjustment to increase governmental activities long term debt and reduce governmental activities net position in the amount of \$910,000 was required to be reported in the governmental activities statement of net position as of June 30, 2013. We recommend that the County establish procedures to review all related debt agreements and reconcile all expenditure transactions after year-end to determine reporting in the proper period.

Oconee County, South Carolina

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Management Points for Communication to the Board

1) Unrecorded Certificate of Deposit

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Oconee County, South Carolina

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- The schedule of expenditures of federal awards
- Health claims payable and related expenditures
- Rock Quarry accounts receivable, inventory, other post-employment benefits (OPEB) and accrued leave

Other Matters for Communication to the Board and Management

During our audit of the financial statements as of and for the year ended June 30, 2013, we noted other matters which we wish to communicate to you in an effort to keep the County abreast of accounting matters that could present challenges in financial reporting in future periods.

1) New Governmental Accounting Standards Board (GASB) Pronouncements



As has been the case for the past 10 years, GASB has issued several other new pronouncements which will be effective in future years. The following is a brief summary of the new standards:

- a) **Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*** was effective the year ending June 30, 2012. The County was not significantly affected by the implementation of this statement.
- b) **Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*** was effective for fiscal years beginning after December 15, 2011 resulting in the County's fiscal year ending June 30, 2012. This statement addresses arrangements where a transferor conveys to an operator the right, and related obligation, to provide public services through the use and operation of a capital asset in exchange for significant consideration. The County should: apply certain due diligence to addressing the potential for restatements relative to the pronouncements; review various agreements previously entered into by the County; and, determine the potential effects from adopting the requirements of this pronouncement. The provisions of this pronouncement generally are required to be applied retroactively for all periods presented.
- c) **Statement No. 61, *The Financial Reporting Entity: Omnibus (An Amendment to GASB No.'s 14 and 34)*** will be effective for fiscal years beginning after June 15, 2012 resulting in the County's fiscal year ending June 30, 2013. This standard addresses the

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concept and definition of a component unit. This new statement raises the bar for an entity to be included in another primary government's financial statements. Additionally, the criteria determining whether a component unit should be blended or discretely presented has changed significantly, most notably that if it is expected that the primary government will repay substantially all of the component unit's debt, then the component unit should be blended. This statement also addresses the recognition of joint venture arrangements with other governmental units. The County should apply certain due diligence to addressing the potential effects from adopting the requirements of this pronouncement.

- d) *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was effective for fiscal years beginning after December 15, 2011 resulting in the County's fiscal year ended June 30, 2013. The provisions of this pronouncement generally are required to be applied retroactively for all periods presented.

FASB has adopted a new codification and its original pronouncements are considered to be non-authoritative. This standard identifies those provisions in FASB Statements & Interpretations, APB Opinions, ARB's, and AICPA Accounting Interpretations issued before November 30, 1989 that are applicable to state and local governmental entities and incorporated into the GASB's literature. GASB Statement No. 20 is superseded by this statement. Matters of significance to the County that are specifically addressed in this new standard include:

- Capitalization of interest costs
- Statement of net asset's classifications
- Special and extraordinary items
- Comparative financial statements
- Related party activities, transactions and relationships
- Prior period adjustments and restatements
- Accounting changes and error corrections
- Contingencies
- Extinguishment of debt
- Troubled debt restructuring
- Inventory
- Leases (capital, operating, etc.)
- Sales of real estate
- Real estate projects
- Research and development arrangements
- Broadcasters
- Cable television systems
- Insurance enterprises
- Lending activities
- Mortgage banking activities
- Regulated operations

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- c) **Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*** will be effective for fiscal years beginning after December 15, 2011 resulting in the County's fiscal year ended June 30, 2013.

This statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements or "equity"). This statement of net position replaces what was previously presented as the statement of net assets and does not change the title of the governmental fund balance sheet or fund balance. This statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities.

A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. An example of a deferred outflow of resources is a government's hedging interest rate swap agreement in which the fair value becomes negative. If the hedge is determined to be effectively offsetting the changes in fair value of the debt, the decrease in the fair value of the derivative instrument would be reported as a liability with a corresponding deferred outflow of resources to reflect the fact that this decrease is not expected to be recognized in investment income in future periods.

A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. An example of a deferred inflow of resources is a service concession arrangement that involves a public toll road. If the government receives an up-front payment from an operator, the revenue associated with that payment will be recognized in future years because the arrangement that generated the up-front payment relates to those periods.

Statement No. 63 also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets and to include deferred amounts in the major fund calculation with assets or liabilities, as applicable.

A further breakdown of the change in the balance sheet presentation to the new statement of net position is as follows:

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Assets:

Current:

Cash	\$	XXX
Accounts Receivable		XXX
Inventory		XXX
Prepays		XXX
	\$	XXX

Non-current:

Fixed Assets	\$	XXX
Accumulated Depreciation		XXX
	\$	XXX

Total Assets \$ XXX

Deferred Outflows:

Grants Paid in Advance of Timing Requirements	\$	XXX
Total Deferred Outflows	\$	XXX

Liabilities:

Current:

Accounts Payable	\$	XXX
Accrued Expenses		XXX
Bonds Payable		XXX
Notes Payable		XXX
	\$	XXX

Non-current:

Bonds Payable	\$	XXX
Notes Payable		XXX
	\$	XXX

Total Liabilities \$ XXX

Deferred Inflows:

Grants Received in Advance of Timing Requirements	\$	XXX
Taxes Received in Advance		XXX
Total Deferred Inflows	\$	XXX

Net Position:

Net Investment in Capital Assets	\$	XXX
Restricted		XXX
Unrestricted		XXX
Net Position	\$	XXX

- f) **Statement No. 65, Items Previously Reported as Assets and Liabilities** will be effective for fiscal years beginning after December 15, 2012 resulting in the County's fiscal year ended June 30, 2014. Although implementation is a year later, this standard goes along with the previously discussed Statement 63. GASB Concepts Statement No. 4, *Elements of Financial Statements*, and Statement 63 specify that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources (expense) and inflows of resources (revenue).

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Examples of these changes are as follows:

Reclassifying certain assets to be deferred outflows of resources:

- Grants paid in advance of meeting time requirements;
- Deferred amounts from refunding of debt (debits);
- Costs to acquire rights to future revenues;
- Deferred losses from sale-leasebacks;

Reclassifying certain liabilities to be deferred inflows of resources:

- Grants received in advance of meeting time requirements;
- Taxes received in advance;
- Deferred amounts from refunding of debt (credits);
- Proceeds from sales of future revenues;
- Deferred gains from sale-leasebacks;
- "Unavailable" revenue in governmental funds.

Recognizing certain assets as outflows (expenses):

- Debt issuance Costs (other than bond insurance);
- Initial costs incurred by lessor in an operating lease;
- Loan origination costs (by entities in the lending business);
- Costs to acquire loans.

Recognizing certain assets as inflows (revenues):

- Loan origination fees, excluding points (by entities in the lending business);
- Commitment fees (after exercise or expiration);
- Fees received for sales of loans.

The County elected to early implement the provisions of this pronouncement in conjunction with Statement No. 63.

- g) **Statement No. 66, *Technical Corrections - 2012*** will be effective for fiscal years beginning after December 15, 2012 resulting in the County's fiscal year ending June 30, 2014. This pronouncement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (1) operating lease payments that vary from a straight-line basis; (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of

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loans; and, (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

- h) **Statement No. 67, *Financial Reporting for Pension Plans*** will be effective for fiscal years beginning after June 15, 2013 resulting in the County's fiscal year ending June 30, 2014. This pronouncement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

The changes noted above by Statement No. 67 are significant to pension plans, and we strongly encourage County officials to review the actual pronouncement and consider the potential effects on the financial reporting of the County.

- i) **Statement No. 68, *Accounting and Reporting for Pensions*** will be effective for fiscal years beginning after June 15, 2014 resulting in the County's fiscal year ending June 30, 2015. This pronouncement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria, including agent and cost-sharing multiple employer plans.

Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

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Defined Benefit Pension Plans. Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

Statement No. 68 calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of: (1) changes in economic and demographic assumptions used to project benefits; and, (2) differences between those assumptions and actual experience. Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed five-year period.

Statement No. 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense. These changes include:

- **Projections of Benefit Payments.** Projections of benefit payments to employees will be based on the then-existing benefit terms and incorporate projected salary changes and projected service credits (if they are factors in the pension formula), as well as projected automatic postemployment benefit changes (those written into the benefit terms), including automatic cost-of-living-adjustments (COLAs). For the first time, projections also will include ad hoc postemployment benefit changes (those not written into the benefit terms), including ad hoc COLAs, if they are considered to be substantively automatic.
- **Discount Rate.** The rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specific conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met.
- **Attribution Method.** Governments will use a single actuarial cost allocation method – “entry age,” with each period’s service cost determined as a level percentage of pay.

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Note Disclosures and Required Supplementary Information. Statement No. 68 also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Single and agent employers will disclose additional information, such as the composition of the employees covered by the benefit terms and the sources of changes in the components of the net pension liability for the current year. A single or agent employer will also will present RSI schedules covering the past 10 years regarding:

- Sources of changes in the components of the net pension liability
- Ratios that assist in assessing the magnitude of the net pension liability
- Comparisons of actual employer contributions to the pension plan with actuarially determined contribution requirements, if an employer has actuarially determined contributions.

Cost-sharing employers also will present the RSI schedule of net pension liability, information about contractually required contributions, and related ratios.

Defined Contribution Pensions. The existing standards for governments that provide defined contribution pensions are largely carried forward in this new statement. These governments will recognize pension expenses equal to the amount of contributions or credits to employees' accounts, absent forfeited amounts. A pension liability will be recognized for the difference between amounts recognized as expense and actual contributions made to a defined contribution pension plan.

Special Funding Situations. Certain governments are legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another government. For example, a state is legally required to contribute to a pension plan that covers local school districts' teachers. In specific circumstances called special funding situations, the Statement requires governments that are non-employer contributing entities to recognize in their own financial statements their proportionate share of the other governmental employers' net pension liability and pension expense.

The changes noted above by Statement No. 68 are significant to Governments who sponsor retirement plans, and we strongly encourage County officials to review the actual pronouncement and consider the potential effects on the financial reporting of the County.

- j) **Statement No. 69, *Government Combinations and Disposals of Government Operations*** will be effective for periods / fiscal years for years beginning after December 15, 2013 resulting in the County's fiscal year ending June 30, 2015. This pronouncement primarily applies to governments involved in some form of mergers, acquisitions, transfers of operations or disposal of operations. Unless the County enters into any

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agreements whereby such actions are anticipated, this pronouncement should not affect the County.

- k) *Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees* will be effective for fiscal years beginning after June 15, 2013 resulting in the County's fiscal year ending June 30, 2014. County officials should review the provisions of this new pronouncement and determine if the County is a party to any form of non-exchange guarantees. If the County has ever entered into any currently active guarantee agreements, the County may be required to record certain accounting entries and, or disclose relevant details surrounding the guarantees.

2) Group Audit Standards

With the release of Statement on Auditing Standards (SASs) Nos. 122-126, the Auditing Standards Board (ASB) has substantially completed its project to redraft all of the auditing sections into the *Codification of Statements on Auditing Standards* (contained in AICPA Professional Standards). The issuance of the clarified standards reflects the ASB's established clarity drafting conventions designed to make the standards easier to read, understand, and apply. Among other improvements, generally accepted auditing standards (GAAS) now specify more clearly the objectives of the auditor and the requirements with which the auditor has to comply when conducting an audit in accordance with GAAS. These standards are applicable for both the private, public, and governmental sectors.

SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification, Audits of Group Financial Statements*, includes one of the most significant changes as a result of the Clarity Project. This standard expands on the primarily reporting content of a previous standard, *Part of Audit Performed by Other Independent Auditors*, which provided guidance on situations where two or more auditors reported on parts of a multiple-unit entity. However this new standard isn't limited to situations which involve two or more auditors – it applies to an audit of any entity which has multiple activities which prepare financial information.

In the particular case of Oconee County, South Carolina, we will have to consider this new group audit concept in conjunction with the industry's already established opinion unit concept in the conduct of our audit of your financial statements. Major changes which may result from this are discussed below.

The concept of "materiality" is now expected to be determined within opinion units, if they contain multiple components. As you know any government with more than one fund has opinion units. Opinion units can be major funds or groups of non-major funds. Previously, materiality was solely determined at the opinion unit level.

In addition, the need for the primary government and its auditor to obtain and maintain correspondence with a component unit auditor has been heightened, even though we are referencing and relying on the component unit audit report. Going forward, primary government management and its auditor will be required to perform additional procedures to include the audit results of a component unit into the financial report of a primary government. Such procedures may include:

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- a) Determining if the component unit auditor understands and will comply with ethical requirements;
- b) Determining the component unit auditor's professional competence;
- c) Determining the extent the primary government's audit engagement team will be able to be involved in the work of the component unit auditor (if necessary);
- d) Communicating component materiality and aggregation risk concerns between primary government and component unit auditor;
- e) Primary government and component auditor exchanging related party listings;
- f) Obtaining an understanding of the component unit's procedures for identifying subsequent events;
- g) Requesting component unit auditor to update subsequent events procedures to the date of the audit report of the primary government;
- h) Requesting written representations from component unit management regarding subsequent events;
- i) Reading available interim financial information (subsequent to audit report date) of the component unit and making appropriate inquiries of component unit management;
- j) Reading the minutes of the governing board held since the audit report date; and,
- k) Reading subsequent year's capital and operating budgets.

Such procedures can be accomplished via one of three ways:

- a) Special efforts and procedures performed by primary government management;
- b) Special services provided by component unit auditor; and, or
- c) Special services provided by the primary government's auditor.

As evidenced by the above thoughts, audits of primary governments with component units just got a great deal more difficult, and the concept of materiality within opinion units will require a greater audit effort on many audits in the future.

Summations of Thoughts Noted Above

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures.

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FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

Free Continuing Education. We provide free quarterly continuing education for all of our governmental clients. Each quarter we pick a couple of significant topics tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking among our governmental clients. We normally see approximately 100 people per quarter. We obtain the input and services of experienced outside speakers along with providing the instruction utilizing our in-house professionals. We hope County staff and officials have been able to participate in this opportunity, and that it has been beneficial to you. Examples of subjects addressed in the past few quarters include:

1. American Recovery & Reinvestment Act (ARRA) information and issues;
2. GASB updates (several sessions);
3. Internal Controls Over Revenue and Cash Receipting;
4. Collateralization of Deposits and Investments;
5. SPLOST Accounting, Reporting and Compliance;
6. Internal Controls Over Accounts Payable, Payroll and Cash Disbursements;
7. Capital Asset Accounting Processes and Controls;
8. Grant Accounting Processes and Controls;
9. American Recovery & Reinvestment Act (ARRA) Updates;
10. Policies and Procedures Manuals;
11. Segregation of Duties;
12. GASB No. 51 – Intangible Assets;
13. Single Audits for Auditees;
14. GASB No. 54 – Governmental Fund Balance (subject addressed twice);
15. Best Budgeting Practices, Policies and Processes;
16. Internal Revenue Service (IRS) Compliance Issues, Primarily Payroll Matters;
17. CAFR Preparation (several times including a two (2) day hands-on course);
18. GASB No. 60, Service Concession Arrangements (webcast)
19. GASB No.'s 63 & 65, Deferred Inflows and Outflows (webcast)
20. GASB No. 61, the Financial Reporting Entity (webcast)

Governmental Newsletters. We produce newsletters tailored to meet the needs of governments. The newsletters have addressed a variety of subjects and are intended to be timely in their subject matter. The newsletters are authored by Mauldin & Jenkins partners and managers, and are not purchased from an outside agency. The newsletters are produced and delivered periodically, and are intended to keep you informed of current developments in the government finance environment.

Communication. In an effort to better communicate our free continuing education plans and newsletters, please email Lauren Payne at lpayne@mjcpa.com (send corresponding copy to medwards@mjcpa.com), and provide to her individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.

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CLOSING

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures. If you have any questions regarding any comments, suggestions or recommendations set forth in this memorandum, we will be pleased to discuss it with you at your convenience.

This information is intended solely for the use of the County's management, and others within the County's organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve Oconee County, South Carolina and look forward to serving the County in the future. Thank you.



OCONEE COUNTY, SOUTH CAROLINA
 Audit Adjustments
 June 30, 2013

General Fund

1	Health Insurance Expense Health Insurance Payable	68,978	68,978
	<i>Required to accrue health insurance expenditures/expense applicable to FY 2013.</i>		
2	Fund Balance Airport Fuel Inventory	43,469	43,469
	<i>Required to correct a missposting recording during FY 2013.</i>		
3	Due from Magistrate Courts Accounts Receivable	85,224	85,224
	<i>Required to correct a posting error related to magistrate court receivables.</i>		
4	Cash Property Tax Revenue	177,029	177,029
	<i>Required to record property tax revenues related to Highpointe</i>		
5	Due from agency funds License and Permit Revenue	3,817	3,817
	<i>Required to record bond license fees received subsequent to year end.</i>		
6	Cash Transfer to Other Funds Miscellaneous expenditures	9,851 300	10,151
	<i>Required to correct a posting error related to miscellaneous expenditure accounts</i>		
7	Due from Worthless Check Program Revenue	24,255	24,255
	<i>Required to post amounts due to the County for worthless check recoveries.</i>		
8	Accounts Receivable Miscellaneous Revenue Accounts Payable	858 12,397	13,255
	<i>Required to correct various accounts and adjust the ending balances to actual at year end.</i>		
9	Cash Accounts Payable	112	112
	<i>Required to correct the Treasurer's Overpayment account and Liability to actual</i>		

OCONEE COUNTY, SOUTH CAROLINA

Audit Adjustments

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General Fund (continued)

10	Property Tax Revenue	21,290	
	Property Tax Recievable		21,290

Required to adjust taxes receivable to actual at year end.

11	Miscellaneous Expenditures	9,605	
	Cash		9,605

Required to correct a posting error related to miscellaneous expenditure accounts

12	Retirement Expense	5,761	
	Accrued Retirement Expense		5,761

Required to adjust the retirment payable and expenditures to actual at year end.

13	Various Tax Revenues	70,602	
	Due From Other Governments		70,602

Required to record various tax revenues received during FY 13.

14	Expenditures	2,488	
	Accounts Payable		2,488

Required to adjust accounts payable for an additional item due at year end.

15	Bad Debt Expense	119,587	
	Accounts Receivable - Walhalla Rescue Squad		119,587

To write off an uncollectible receivable at year end.

16	Expenditures	510	
	Accounts Payable		510

Required to adjust accounts payable for an additional item due at year end.

17	Health Insurance Expense	478,761	
	Health Insurance Payable		478,761

Required to adjust accrued health insurance expenditures and health insurance expenditures to actual.

18	Cash	12,741	
	Miscellaneous Revenue		12,741

Required to record a previously unrecorded CD for Solid Waste.

19	Interest Income	116	
	Cash		116

Required to adjust interest revenue to actual at year end.

OCONEE COUNTY, SOUTH CAROLINA
 Audit Adjustments
 June 30, 2013

General Fund (continued)

20	Transfer From Rock Quarry Cash	583,009	
			583,009

Required to adjust transfer of net income from the Rock Quarry Fund to the General Fund.

Emergency Services Protection District Fund

1	Cash Revenue - Fee In Lieu of Tax	8,716	
			8,716

Required to adjust cash and revenues to actual for amounts received in FY 13.

2	Unavailable Revenue - Property Taxes Property Tax Revenue	30,101	
			30,101

Required to adjust unavailable revenue to actual. See finding 2013-1

3	Property Tax Revenue Cash	1,137	
			1,137

Required to correct a posting error to cash and revenue at year end.

Sheriff's Victim Assistance Fund

1	Health Insurance Expenditures Cash	2,439	
			2,439

Required to allocate the Sheriff's Victim Assistance Fund portion of health insurance expenditures.

Solicitor's Victim Assistance Fund

1	Health Insurance Expenditures Cash	1,219	
			1,219

Required to allocate the Solicitor's Victim Assistance Fund portion of health insurance expenditures.

2	Cash Transfers from Other Funds	93	
			93

Required to adjust cash and interfund transfers to actual at year end.

OCONEE COUNTY, SOUTH CAROLINA
 Audit Adjustments
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Miscellaneous Special Revenue Fund

1	Fund Balance	16,305	
	Revenue		16,305

Required to correct an error and to adjust fund balance to actual at year end.

2	Accounts Receivable	57,734	
	Various Revenue Accounts	39,434	
	Cash		339
	Unearned revenue		96,529
	Transfers from Other Funds		300

Required to post various adjustments to correct account balances at year end.

911 Fund

1	Fund Balance	16,305	
	Revenue		16,305

Required to correct an error and to adjust fund balance to actual at year end.

Tri-County Tech Fund

1	Cash	5,415	
	Revenue		5,415

Required to record revenues received in FY 13.

2	Unavailable Revenue - Property Taxes	26,112	
	Property Tax Revenue		26,112

Required to adjust unavailable revenue to actual. See finding 2013-1

Capital Projects Fund

1	Intergovernmental Revenue	165,394	
	Unavailable Revenue - Intergovernmental		165,394

Required to adjust unavailable revenue to actual based on current year activity.

2	Unavailable Revenue - Intergovernmental	82,697	
	Intergovernmental Revenue		82,697

Required to adjust unavailable revenue to actual. See finding 2013-1

OCONEE COUNTY, SOUTH CAROLINA

Audit Adjustments

June 30, 2013

Capital Projects Fund (Continued)

3	Unavailable Revenue - Intergovernmental Fund Balance	144,707	144,707
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Required to adjust beginning fund balance to actual due to an error in reporting deferred revenue in a prior period. See finding 2013-2

Economic Development Fund

1	Cash Revenue	2,579	2,579
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Required to record tax revenue received during FY 2013.

Bridge and Culvert Capital Projects Fund

1	Cash Revenue	2,579	2,579
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Required to record tax revenue received during FY 2013.

Debt Service Fund

1	Tax Revenue Cash	642,735	642,735
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Required to record Pointe West project activity for FY 2013.

2	Due from Keowee Fire District	835,000	
	Debt Service Expenditures - Principal	75,000	
	Debt Service Expenditures - Interest	35,672	
	Fund Balance		910,000
	Interest Income		35,672

Required to record Keowee Fire District receivable and associated principal and interest debt payments. See finding 2013-4

FOCUS Fund

1	Depreciation Expense Accumulated Depreciation	228,808	228,808
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Required to adjust depreciation on capital assets for FY 2013.

OCONEE COUNTY, SOUTH CAROLINA
 Audit Adjustments
 June 30, 2013

FOCUS Fund (Continued)

2	Construction in Progress	4,409,415	
	Professional Expenses		3,340,378
	Small Capital Expenses		31,630
	Operation Expenses		6,332
	Capital Equipment Expenses		1,031,075

Required to properly record additions to construction in progress as a capital asset

3	Fund Balance	150,513	
	Intergovernmental Revenue	319,840	
	Due from Other Governments		470,353

Required to properly record additions to construction in progress as a capital asset

Rock Quarry Fund

1	Health Insurance Expense	2,420	
	Cash		2,420

Required to allocate the Rock Quarry Fund portion of health insurance expenditures.

2	Machinery and Equipment	610,291	
	Land	346,657	
	Deposit on Land		10,000
	Professional Expense		1,595
	Equipment Replacement Expense		609,974
	Land Capital Expense		335,062
	Rock Quarry Vehicle Expense		317

Required to properly record asset additions to the respective asset classification

3	Inventory Adjustment Expense	247,073	
	Inventory		247,073

Required to adjust the inventory balance to actual for activity during FY 2013.

4	Allowance for Uncollectible Accounts	11,800	
	Outside Sales Revenue	135,606	
	Accounts Receivable		147,406

Required to record current year revenues received during FY 13.

5	Depreciation Expense	3,300,980	
	Depletion Expense	6,882	
	Accumulated Depreciation		3,300,980
	Accumulated Depletion		6,882

Required to record current year depreciation and depletion expense.

OCONEE COUNTY, SOUTH CAROLINA
Audit Adjustments
June 30, 2013

Rock Quarry Fund (Continued)

6	Health Insurance Expense Cash	16,772		16,772
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Required to allocate additional health insurance expenditures to the Rock Quarry Fund.

7	Accumulated Depreciation Machinery and Equipment	323,366		323,366
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Required to adjust capital assets (Machinery and Equipment to actual at year end.

8	Health Insurance Expense OPEB Obligation	323,366		323,366
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Required to record OPEB obligation activity for FY 2013.

9	Cash Transfer to General Fund	583,009		583,009
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Required to adjust transfer of net income from the Rock Quarry Fund to the General Fund.



OCONEE COUNTY, SOUTH CAROLINA COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

*This report may be accessed on the Administrative Services webpage.
Hard copy filed under separate cover in the Clerk to Council office.*

PREPARED BY THE FINANCE DEPARTMENT:

SCOTT MOULDER
COUNTY ADMINISTRATOR

MARK PULLIUM
DIRECTOR OF ADMINISTRATIVE SERVICES

Oconee Courthouse Ventures, LLC
P.O. Box 1016
Chapin, SC 29036
(803) 932-0406

February 10, 2014

Sent Via E-mail

Mr. Scott Moulder
County Manager
Oconee County

RE: Extension Request
The Courthouse Inn

Dear Mr. Moulder:

We are writing to request a six (6) month extension on our lease and due diligence agreement with the County regarding the old County Courthouse.

Our progress has been considerably slower than we anticipated. We do continue to make progress on this project, although the current construction lending environment has caused our progress to be slower and more difficult than we had envisioned. The pursuit of financing was further slowed by a requirement for an "as-is" appraisal of the building and land, which we now have but which took several months to get done. Nonetheless, we remain firmly committed to getting this project under way.

An extension, if approved would not change the other aspects of our agreement. Insurance continues in force and will be extended when and if required. Our other duties and obligations under the agreement will also remain unchanged.

We have a very significant investment of time and money in this development, and hope that the County sees fit to allow us the opportunity to continue pursuing it.

Please let us know if you have any questions or concerns.

Sincerely,

James G. Carswell III
.Manager

John M. Powell
Manager

**STATE OF SOUTH CAROLINA
COUNTY OF OCONEE
ORDINANCE 2014-04**

**AN ORDINANCE DISESTABLISHING AND DISSOLVING THE
OCONEE COUNTY ECONOMIC DEVELOPMENT COMMISSION AND
APPROVING AN INTERLOCAL AGREEMENT WITH THE OCONEE
ECONOMIC ALLIANCE; AND OTHER MATTERS RELATED
THERETO**

WHEREAS, Oconee County, South Carolina (the "County"), a body politic and corporate and a political subdivision of the State of South Carolina (the "State"), acting by and through the Oconee County Council (the "County Council"), as the governing body of the County, directed to guard, promote and protect the lives, health, safety, and welfare of Oconee County and the people of Oconee County, notably as to those matters officially recognized by state law; and

WHEREAS, the pursuit of economic development within the County is one of those duties of the County Council officially recognized by state law, and is a public purpose of the counties of the State of South Carolina; and

WHEREAS, as one of the methods of furthering economic development within the County, County Council has, previously, created the Oconee County Economic Development Commission, and the terms and provisions related to that Commission have been codified in the Oconee County Code of Ordinances (the "Code"), at Article II of Chapter 24 of the Code; and

WHEREAS, the County, along with many other public and private entities within the County have also created and worked with the Oconee Economic Alliance to market the County, to bring public and private forces together for the economic development of the County, and to work with the Oconee County Economic Development Commission for the greater economic good of the County; and

WHEREAS, the County, acting by and through its County Council, and the Oconee Economic Alliance, represented by its board and members, have recently agreed to join the forces and objectives of the Oconee County Economic Development Commission and the Oconee Economic Alliance, and County Council, by ordinance, has agreed to the merging of the functions of the Oconee Economic Alliance and the Oconee County Economic Development Commission into a single entity, the Oconee Economic Alliance; and

WHEREAS, because of the existence of the Oconee Economic Alliance and the merger of the functions and responsibilities of the Oconee Economic Alliance and the Oconee County Economic Development Commission, there is no longer a need for the Oconee County Economic Development Commission to exist as a separate legal entity, and Oconee County, acting by and through its County Council, therefore desires to disestablish and dissolve the Oconee County Economic Development Commission, and to authorize a cooperative business relationship with the Oconee Economic Alliance by and through an interlocal agreement by and between Oconee County and the Oconee Economic Alliance, and by this Ordinance, desires and intends to achieve those objectives:

NOW, THEREFORE, it is hereby ordained by Oconee County Council, in meeting duly assembled, that:

1. The Oconee County Economic Development Commission, as previously created by Oconee County Council, is hereby disestablished and dissolved, and all references thereto, in the Oconee County Code of Ordinances, and anywhere else in which such references may be found, including, without exception, in Article II of Chapter 24 of the Code, are hereby canceled, revoked, and suspended. Notwithstanding anything herein, however, any prior act or action of the Oconee County Economic Development Commission, and any act or action of Oconee County, based upon such prior act or action of the Oconee County Economic Development Commission, not specifically and explicitly repealed hereby, remains in full force and effect. Nothing contained herein is intended to nor shall be interpreted as revoking or repealing any such prior act or action of the Oconee County Economic Development Commission or Oconee County.

2. The legal and political and business relationship between the Oconee Economic Alliance and Oconee County, as set forth in the attached interlocal agreement, is hereby ratified, approved, and affirmed, and the Oconee County Administrator and the Chairman of Oconee County Council are hereby authorized to execute and deliver the attached interlocal agreement, by and between Oconee County, South Carolina and the Oconee Economic Alliance, to the Oconee Economic Alliance, in substantially the form attached hereto or with such minor revisions thereto as shall not be materially adverse to the County and as shall be approved by the County officials executing the same, upon the advice of the County Attorney, their execution thereof to signify their approval of all terms and provisions thereof.

3. Should any part or provision of this Ordinance be deemed unconstitutional or unenforceable by any court of competent jurisdiction, such determination shall not affect the rest and remainder of this Ordinance, all of which is hereby deemed separable.

4. All ordinances, orders, resolutions, and actions of Oconee County Council inconsistent herewith are, to the extent of such inconsistency only, hereby repealed, revoked, and rescinded.

5. This Ordinance shall take effect and be in full force and effect from and after third reading and enactment by Oconee County Council.

ORDAINED in meeting, duly assembled, this ____ day of _____, 2014.

ATTEST:

Elizabeth Hulse,
Clerk to Oconee County Council

Joel Thrift,
Chairman, Oconee County Council

First Reading: February 4, 2014
Second Reading: February 18, 2014
Public Hearing:
Third Reading:

STATE OF SOUTH CAROLINA
OCONEE COUNTY
ORDINANCE 2014-05

SECOND SUPPLEMENTAL ORDINANCE

A SECOND SUPPLEMENTAL ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF A NOT EXCEEDING \$3,100,000 SPECIAL SOURCE REFUNDING REVENUE BOND, SERIES 2014, OF OCONEE COUNTY, SOUTH CAROLINA; PRESCRIBING THE FORM AND DETAILS OF SUCH BOND; PROVIDING FOR THE PAYMENT OF THE BOND AND THE DISPOSITION OF THE PROCEEDS THEREOF; AND OTHER MATTERS RELATING THERETO.

Enacted: _____, 2014

BE IT ORDAINED, BY THE COUNTY COUNCIL OF OCONEE COUNTY, SOUTH CAROLINA, IN COUNCIL ASSEMBLED:

Section 1. Definitions. The terms in this Section 1 and all words and terms defined in General Bond Ordinance No. 2010-05 enacted by Council on May 4, 2010 (the "General Bond Ordinance"), shall for all purposes of this Second Supplemental Ordinance No. 2014-____ have the respective meanings given to them in the General Bond Ordinance and in Section 1 hereof. The following terms as used in this Second Supplemental Ordinance shall, unless the context requires otherwise, have the following meanings:

"Bond of 2010" or "Bond to be Refunded" shall mean the \$3,500,000 original principal amount Special Source Revenue Bond, Series 2010, dated May 4, 2010, outstanding as of the date hereof in the principal amount of \$3,125,000, to be refunded with a portion of the proceeds of the Series 2014 Bond.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"First Supplemental Ordinance" shall mean the First Supplemental Ordinance No. 2010-06, enacted by Council on May 4, 2010, which authorized the issuance of the Bond of 2010.

"Interest Payment Date" shall mean April 1 of each year, commencing April 1, 2015.

"Paying Agent" shall mean U.S. Bank National Association, as Paying Agent for the Series 2014 Bond.

"Principal Payment Date" shall mean April 1 of each year, commencing April 1, 2015 and ending no later than April 1 2025.

"Purchaser" shall mean Branch Banking and Trust Company.

"Registrar" shall mean U.S. Bank National Association, as Registrar for the Series 2014 Bond.

"Second Supplemental Ordinance" shall mean this Second Supplemental Ordinance No. 2014-____.

"Series 2014 Bond" shall mean the Oconee County, South Carolina, Special Source Refunding Revenue Bond, Series 2014, in the aggregate principal amount not to exceed \$3,100,000 authorized to be issued hereunder.

Section 2. Certain Findings and Determinations. The Council hereby finds and determines:

(a) This Second Supplemental Ordinance supplements the General Bond Ordinance, constitutes and is a “Supplemental Ordinance” within the meaning of such quoted term as defined and used in the General Bond Ordinance, and is enacted under and pursuant to the General Bond Ordinance.

(b) The Series 2014 Bond constitutes and is a “Bond” as defined and used in the General Bond Ordinance.

(c) Upon the redemption of the Bond to be Refunded, the Pledged Revenues pledged under the General Bond Ordinance are not encumbered by any lien or charge thereon or pledge thereof, other than the lien and charge thereon and pledge thereof created by the General Bond Ordinance and this Second Supplemental Ordinance for payment and security of the Series 2014 Bond.

(d) There does not exist an Event of Default, nor does there exist any condition which, after the passage of time or the giving of notice, or both, would constitute such Event of Default.

(e) The Bond to be Refunded was originally issued by the County to defray a portion of the Costs of Acquisition and Construction of the 2010 Projects (as defined in the First Supplemental Ordinance) and to pay the Costs of Issuance of the Bond to be Refunded. The estimated cost of refunding the Bond to be Refunded is not exceeding \$3,100,000.

(f) Section 3.4(B) of the General Bond Ordinance provides that Bonds may be issued at any time for the purpose of refunding (including by purchase) Bonds, including amounts to pay principal, redemption premium and interest to the date of redemption (or purchase) of the refunded Bonds and the Costs of Issuance; provided that (i) the aggregate Debt Service on all Bonds not then to be refunded and such refunding Bonds shall not be greater than would have been the aggregate Debt Service of all Bonds not then refunded and the Bonds to be refunded; or (ii) the requirements of parts (A), (B), (C) and (E) of Section 3.3 of the General Bond Ordinance are met with respect to the refunding Series. Prior to the issuance of the Series 2014 Bond, a certificate of the County will be provided indicating that the aggregate Debt Service on the Series 2014 Bond is not greater than the aggregate Debt Service on the Bond to be Refunded.

(g) A Debt Service Reserve Fund will not be established for the Series 2014 Bond.

(h) The proceeds of the Series 2014 Bond are being used for the following purposes: (i) refunding the Bond to be Refunded; and (ii) paying the Costs of Issuance.

(i) The Purchaser has offered to purchase the Series 2014 Bond at an interest rate of _____percent (____%) per annum.

(j) It is necessary and in the best interest of the County to accept the offer of the Purchaser, to refund the Bond to be Refunded, and to issue the Series 2014 Bond in the principal amount of not exceeding \$3,100,000 in accordance with the Act, the General Bond Ordinance and this Second Supplemental Ordinance for the purpose set forth in Section 2(h) above.

Section 3. Authorization and Details of Series 2014 Bond; Authorization to Determine Certain Matters Relating to the Series 2014 Bond.

(a) There is hereby authorized to be issued a special source refunding revenue bond designated “Oconee County, South Carolina, Special Source Refunding Revenue Bond, Series 2014”, in the principal amount not to exceed \$3,100,000. The proceeds of the Series 2014 Bond shall be used for the purposes set forth in Section 2(h) above.

(b) The offer of the Purchaser to purchase the Series 2014 Bond, a copy of which is attached hereto as Exhibit A, is hereby accepted. The County Administrator is hereby authorized and directed to accept the offer of the Purchaser and deliver such acceptance to the Purchaser. In the event of a conflict in the terms and provisions of such offer and this Second Supplemental Ordinance, the terms and provisions of this Second Supplemental Ordinance shall prevail.

(c) The Series 2014 Bond shall be represented by a single, fully registered bond; shall be registered in the name of the Purchaser; shall be dated the date of delivery; and shall be in the principal amount of not exceeding \$3,100,000. Interest on the unpaid principal amount of the Series 2014 Bond shall be payable on each Interest Payment Date. Interest on the Series 2014 Bond shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Series 2014 Bond will be payable on April 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2015		2021	
2016		2022	
2017		2023	
2018		2024	
2019		[2025]	
2020			

The Chairman or Vice-Chairman of the Council and the County Administrator are authorized to adjust the principal payment schedule set forth above, provided the Series 2014

Bond shall not be issued in an aggregate principal amount which exceeds \$3,100,000, and its final maturity shall not extend beyond April 1, 2025.

(d) Unless otherwise agreed to by the Chairman or Vice-Chairman of the Council and the County Administrator, the Series 2014 Bond may be sold or transferred by the initial Purchaser only to purchasers ("Qualified Investors") who execute an investment letter delivered to the City and the Commission, in form satisfactory to the City and the Commission (the "Investment Letter"), containing certain representations, warranties and covenants as to the suitability of such purchasers to purchase and hold the Series 2014 Bond. Such restriction shall be set forth on the face of the Series 2014 Bond and shall be complied with by each transferee of the Series 2014 Bond.

(e) The Series 2014 Bond, and the interest thereon, is a special obligation of the County payable solely from, and secured by a pledge of the Pledged Revenues. The Series 2014 Bond, and the interest thereon are, (a) payable solely from all or a specifically described portion of the Pledged Revenues retained by the County; (b) not secured by, or in any way entitled to, a pledge of the full faith, credit, or taxing power of the County; (c) not an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation but is payable solely from a special source that does not include revenues from any tax or license; and (d) not a pecuniary liability of the County or a charge against the County's general credit or taxing power.

(f) The Chairman or Vice-Chairman of the Council and the County Administrator are empowered to include any additional provisions in the Series 2014 Bond as requested by the Purchaser in accordance with its proposal to purchase the Series 2014 Bond.

(g) The Council hereby authorizes and directs the Chairman or Vice-Chairman of the Council to execute the Series 2014 Bond in the name of the County, and authorizes and directs the Clerk to the Council to attest the manual signature of the Chairman or Vice-Chairman of the Council under the seal of the County impressed, imprinted or reproduced thereon.

(h) The Series 2014 Bond shall originally be dated its date of initial issuance and shall be issued as a fully registered Bond in substantially the form set forth as Exhibit B hereto, with such necessary or appropriate variations, omissions and insertions as are incidental to the issuance of the Series 2014 Bond or as are otherwise permitted or required by law, by the General Bond Ordinance, or by this Second Supplemental Ordinance.

Section 4. Optional Redemption of Series 2014 Bond. Unless otherwise agreed to by the Chairman or Vice-Chairman of the Council and the County Administrator, the principal amounts of the Series 2014 Bond are subject to redemption in whole, but not in part, prior to their maturity at any time at the outstanding principal amount thereof and accrued interest thereon to the date of redemption. In the event the Series 2014 Bond is called for redemption, the County shall give notice of redemption of the Series 2014 Bond by first-class mail, postage prepaid, to the registered

owner thereof as shown on the Books of Registry of the County not less than ten (10) days prior to the date fixed for the redemption thereof.

Section 5. Payment of the Series 2014 Bond. The Series 2014 Bond is secured by a pledge of the Pledged Revenues referred to and subject to the limitations set forth in Section 6.3 of the General Bond Ordinance, and shall be subject to no prior liens or encumbrances other than as provided under the General Bond Ordinance and this Second Supplemental Ordinance. Both the principal of and interest on the Series 2014 Bond are payable at the principal office of the Paying Agent without presentation and surrender of the Series 2014 Bond in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts; provided, however, the Purchaser shall surrender the Series 2014 Bond to the County on or within a reasonable time after its final maturity.

Section 6. Establishment of 2014 Debt Service Fund. In accordance with Section 6.6 of the General Bond Ordinance, the 2014 Debt Service Fund is hereby directed to be established by the Trustee on the date of the original delivery of the Series 2014 Bond for the benefit of the Purchaser or subsequent Holders of the Series 2014 Bond.

Section 7. Cost of Issuance Account. There is hereby created the "Cost of Issuance Account for the Series 2014 Bond" (hereinafter referred to and defined as the "Cost of Issuance Account"). The Cost of Issuance Account shall be held by U.S. Bank National Association, or such other bank as selected by the Chairman or Vice-Chairman of the Council and the County Administrator. The moneys on deposit in the Cost of Issuance Account shall be used and applied to the payment of Cost of Issuance of the Series 2014 Bond. Withdrawals from the Cost of Issuance Account shall be made in the manner withdrawals from other funds of the County are made. Moneys on deposit in the Cost of Issuance Account shall be invested upon direction of the County in Permitted Investments.

Section 8. Designation of Registrar and Paying Agent. The Council hereby designates U.S. Bank National Association, as Registrar for the Series 2014 Bond. The Council hereby further designates U.S. Bank National Association as Paying Agent for the Series 2014 Bond. The Registrar and the Paying Agent shall signify their acceptances of their respective duties upon delivery of the Series 2014 Bond.

Section 9. Federal Tax Covenants. The County hereby covenants and agrees with the Purchaser that it will not take any action which will, or fail to take any action which failure will, cause interest such Bond to become includable in the gross income of the Purchaser for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of such Bond. The County further covenants and agrees with the Purchaser that no use of the proceeds of the Series 2014 Bond shall be made which, if such use had been reasonably expected on the date of issue of such Bond would have caused such Bond to be "arbitrage bonds," as defined in the Code; and to that end the County shall:

(a) Comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as such Bond is Outstanding;

(b) Establish such funds, make such calculations and pay such amounts, if necessary, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebates of certain amounts to the United States; and

(c) Make such reports of such information at the times and places required by the Code.

The County Administrator is hereby authorized to adopt written procedures on behalf of the County to ensure the County's compliance with federal tax matters relating to the Series 2014 Bond.

Section 10. Bank Qualified. The County covenants that, in accordance with the provisions of the Code, the Series 2014 Bond is designated as a “qualified tax-exempt obligation” as defined in Section 265 of the Code. The County and all subordinate entities thereof do not anticipate issuing more than \$10,000,000 (exclusive of tax-exempt bonds or other obligations which are not included in the \$10,000,000 limitation under the applicable provisions of Section 265 of the Code) in tax-exempt bonds or other tax-exempt obligations in calendar year 2014 (other than private activity bonds which are “qualified 501(c)(3) bonds” as defined in the Code). The County represents that the sum of all tax-exempt obligations (exclusive of tax-exempt bonds or other obligations not included in the \$10,000,000 limitation under the applicable provisions of Section 265 of the Code) or other tax-exempt obligations (other than private activity bonds which are “qualified 501(c)(3) bonds” as defined in the Code) issued by the County and all subordinate entities thereof during calendar year 2014 is not reasonably expected to exceed \$10,000,000.

Section 11. Filings with Central Repository. In compliance with Section 11-1-85 of the South Carolina Code, the County covenants, so long as and to the extent required pursuant to Section 11-1-85, that it will file or cause to be filed with a central repository for availability in the secondary bond market when requested: (a) a copy of an annual independent audit of the County within thirty (30) days of the County’s receipt thereof; and (b) event-specific information within thirty (30) days of the County’s receipt of the audit affecting more than five percent (5%) of the Pledged Revenues, or the County’s tax base.

The only remedy for failure by the County to comply with the covenant of this paragraph shall be an action for specific performance of this covenant; and failure to comply shall not constitute a default or an “Event of Default” under the General Bond Ordinance or this Second Supplemental Ordinance. The Trustee shall have no responsibility to monitor the County's compliance with this covenant. The County specifically reserves the right to amend or delete this covenant to reflect any change in Section 11-1-85 without the consent of the Trustee, the Purchaser or subsequent Holders of the Series 2014 Bond.

Section 12. Further Actions. The Chairman of the Council, Vice-Chairman of the Council, County Administrator, Director of Administrative Services and Finance, Clerk to Council, County Attorney, and all other officers and employees of the County are hereby authorized and directed to take any and all such further actions as shall be deemed necessary or desirable in order to redeem the Bond of 2010, effectuate issuance of the Series 2014 Bond, and to carry out the intentions of this Second Supplemental Ordinance. Without further authorization, the Council hereby authorizes and directs the Chair or Vice-Chairman of the Council and the County Administrator to: (a) determine the original issue date of the Series 2014 Bond; (b) determine the principal amount of the Series 2014 Bond if less than the authorized amount; (c) determine the principal repayment schedule and Principal Payment Date for the Series 2014 Bond, if different from the schedule and dates provided for herein; (d) determine the Interest Payment Date (including the initial Interest Payment Date), if different from the dates provided for herein; (e) determine the optional redemption date and terms of redemption if different from that set forth herein; (f) take such actions as may be necessary to redeem the Bond to be Refunded; and (g) determine the terms of the sale of the Series 2014 Bond to an alternative purchaser thereof in the event that the Purchaser does not purchase the Series 2014 Bond.

Section 13. Section Headings. The headings and titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Second Supplemental Ordinance.

Section 14. Repeal of Inconsistent Ordinances and Resolutions. All ordinances and resolutions of the County, and any part of any ordinance or resolution, inconsistent with this Second Supplemental Ordinance are hereby repealed to the extent of such inconsistency.

Section 15. Effective Date. This Second Supplemental Ordinance shall become effective upon its enactment.

[Execution follows on next page]

Enacted by the County Council of Oconee County, South Carolina, this ____ day of _____, 2014.

OCONEE COUNTY, SOUTH CAROLINA

(SEAL)

Chairman, County Council
Oconee County, South Carolina

ATTEST:

Administrator, Oconee County, South Carolina

Clerk to County Council,
Oconee County, South Carolina

Date of First Reading: February 4, 2014
Date of Second Reading: February 18, 2014
Date of Public Hearing: _____, 2014
Date of Third Reading: _____, 2014

[Execution Page]

EXHIBIT A

PROPOSAL OF PURCHASER

EXHIBIT B

(FORM OF BOND)

THIS BOND MAY BE SOLD OR TRANSFERRED IN WHOLE OR IN PART ONLY TO A PURCHASER OR TRANSFEREE CONSTITUTING A QUALIFIED INVESTOR (AS SUCH TERM IS DEFINED IN THE HEREAFTER DEFINED SECOND SUPPLEMENTAL ORDINANCE UNDER WHICH THIS BOND IS ISSUED), AND ONLY UPON SUCH QUALIFIED INVESTOR DELIVERING TO THE CITY AN INVESTMENT LETTER IN THE FORM REQUIRED UNDER THE SECOND SUPPLEMENTAL ORDINANCE

**UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
OCONEE COUNTY
SPECIAL SOURCE REFUNDING REVENUE BOND
SERIES 2014**

**Amount
[\$3,100,000]**

Oconee County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to Branch Banking and Trust Company (the "Holder") or its registered assigns, but solely from the special source hereinafter mentioned, and not otherwise, a principal amount of [\$3,100,000], together with interest on the principal amount hereof from time to time unpaid at the rate of _____percent (____%) per annum (calculated on the basis of a 360-day year of twelve 30-day months), but solely from such special source and not otherwise, until this Bond matures. Interest on this Bond is payable on April 1 of each year commencing April 2, 2015 until its maturity or prior redemption, and shall be payable to the Holder by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by U.S. Bank National Association, as registrar (the "Registrar") in Columbia, South Carolina.

This Bond, and the interest hereon is, (a) payable solely from all or a specifically described portion of the Pledged Revenues (as defined in the General Bond Ordinance described below) retained by the County; (b) not secured by, or in any way entitled to, a pledge of the full faith, credit, or taxing power of the County; (c) not an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation but is payable solely from a special source that does not include revenues from any tax or license; and (d) not a pecuniary liability of the County or a charge against the County's general credit or taxing power.

This Bond is payable as to principal on April 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2015		2021	
2016		2022	
2017		2023	
2018		2024	
2019		[2025]	
2020			

The principal amounts of this Bond are subject to redemption in whole or in part at any time at the outstanding principal amount thereof and accrued interest thereon to the date of redemption. In the event this Bond is called for redemption, the County shall give notice of redemption by first-class mail, postage prepaid, to the registered owner thereof as shown on the books of registry of the County not less than ten (10) days prior to the date fixed for the redemption thereof.

Both the principal of and interest on this Bond are payable at the principal office of the Paying Agent, without presentation and surrender of this Bond in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts; provided, however, the Holder agrees to surrender this Bond on or within a reasonable time after its final maturity.

This Bond is issued by the County for the purposes of refunding the Bond to be Refunded and paying the Costs of Issuance. This Bond is authorized to be issued and is issued under, pursuant to and in full compliance with the Constitution and statutes of the State of South Carolina, including particularly Section 4-1-175 and Section 4-29-68 of the Code of Laws of South Carolina 1976, as amended (the "Act"). This Bond is also authorized to be issued and is issued under and pursuant to General Bond Ordinance No. 2010-05 of the County Council of Oconee County duly enacted on May 4, 2010 (the "General Bond Ordinance"), and Second Supplemental Ordinance No. 2014-___ of the County Council of Oconee County duly enacted on _____, 2014 (the "Second Supplemental Ordinance" and, together with the General Bond Ordinance, the "Ordinances"), under the Act, which Ordinances have been duly codified and indexed as prescribed by law. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinances.

This Bond, including interest thereon, is payable solely from a portion of the Pledged Revenues and is secured equally and ratably by a pledge of the Pledged Revenues and certain funds and accounts established under the Ordinances with respect thereto heretofore mentioned which are pledged to the payment thereof, and the County is under no obligation to pay the same except from such sources. Bonds on a parity with this Bond may hereafter be issued under terms and conditions set forth in the General Bond Ordinance. Such Bonds shall be equally and ratably secured with the pledge of the Pledged Revenues.

The Ordinances contain provisions defining terms; set forth the sources of payment for the principal of and interest on this Bond; set forth the Pledged Revenues pledged for the payment of the principal of and interest on this Bond and the Bonds of other series herewith which may hereafter be issued on a parity herewith under the General Bond Ordinance; set forth the nature, extent and manner of enforcement of the security of this Bond and of such pledge, and the rights and remedies of the holder hereof with respect thereto; set forth the terms and conditions upon which this Bond is issued and upon which other bonds may be hereinafter issued payable as to principal, premium, if any, and interest on a parity with this Bond and equally and ratably secured herewith; sets forth the rights, duties and obligations of the County thereunder; and set forth the terms and conditions upon which the pledge made in the General Bond Ordinance for the security of this Bond and upon which the covenants, agreements and other obligations of the County made therein may be discharged at or prior to the maturity or redemption of this Bond with provisions for the payment thereof in the manner set forth in the General Bond Ordinance. Reference is hereby made to the Ordinances to all of the provisions of which any holder of this Bond by the acceptance hereof thereby assents.

[Execution Page Follows]

IN WITNESS WHEREOF, Oconee County, South Carolina, has caused this Bond to be executed in its name by the manual signature of the Chairman/Vice-Chairman of the County Council and attested by the Clerk to the County Council under the seal of the County, this Bond to be dated the _____ day of _____, 2014.

OCONEE COUNTY, SOUTH CAROLINA

By: _____
Chairman/Vice-Chairman, County Council
Oconee County, South Carolina

(SEAL)

ATTEST:

Clerk to County Council
Oconee County, South Carolina

REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Ordinances of Oconee County, South Carolina.

U.S. BANK NATIONAL ASSOCIATION,
as Registrar

Dated: _____

By: _____
Authorized Officer



Boards & Commissions

State / OC Code Reference	Reps [DX-At Large]	Co-Terminus	Term Limits	4 Year Term	Meeting Date to Appoint	Paul Corbett	Wayne McCall	Archie Barron	Joel Thrift	Reg Dexter			
						2010-2014	2013-2016	2010-2014	2013-2016	2013-2016	2010-2014	2013-2016	
						District I	District II	District III	District IV	District V	At Large	At Large	
Aeronautics Commission	2-262	5 - 2	YES	2X	YES	Jan - June 2013	Randy Renz [1]	David Bryant [1]	Edward Perry [1]	Dan Schmeidt [2]	Ronald Chiles [1]	Thomas Luke [2]	Michael Gray [1]
ON HOLD Pending Administrator Recommendation to Council													
Board of Zoning Appeals	38-6-1	5 - 2	YES	2X	YES	Jan - June 2013	Allen Medford [1]	Sammy Lee [2]	Gary Littlefield [1]	Marty McKee [2]	Dick Hughes [2]	Berry Nichols [1]	Paul Rockert [2]
Building Codes Appeal Board		5 - 0	YES	2X	YES	Jan - June 2013	Roger Mize [2]	Matt Rochester [1]	Bob DuBose [1]	Mike Willimon [2]	Harry Tollison [2]		
Conservation Bank Board	2-381	Appointed by Category		2X	YES	Jan - June 2013	Shea Airey [1]	Andy Lee [2]	Rocky Nation [1]	Marvin Prater [2]	Frank Ables [1]	Richard Cain [1]	Glenn Buddin [1]
Scenic Highway Committee	28-161	0 - 2	YES	2X	YES	Jan - June 2013						Allen D. Boggs [1]	Staley Powell [1]
Library Board	4-9-35 / 18-1	0 - 9	YES	2X	YES	Jan - June 2013	Daniel Day [2], Ellis Hughes [2], B Helmerington [1], H McPheeters [1], A Champion [1], P Taylor [1]				William Caster [1], Maria Jacobson [1], Marie McMahan [1]		
PRT Commission (members up for reappointment due to initial stagger)	6-4-25 2-381	Appointed by Industry		2X	YES	June 2013	Brian Greer [2], Rosemary Bailes [2], JoAnne Blake [2]			Becky Wise [1], Rick Lacey [1], David Lavere [1], Mike Wallace [1]			
Planning Commission	6-29-310 32-4	5 - 2	YES	N/A	YES	February 2013	Andrea Heller	C. W. Richards	William Gilster	Bud Childress	Ryan Honea	Gwen McPhail	John Lyle
Behavioral Health Services Commission	2-281	0 - 7	YES	2X	3 yr.	June 2014	Steve Jenkins [1], Harold Alley [1], Louie Holleman [1], Wanda Long [1], OPEN, Joan Black [1], Jere DuBois [1]						
Capital Project Advisory Committee	2-391	CC, PC, Infra, 2 @ Lg	NO	3X	1 yr.	May 2014	Council Representative Pooled [2], Planning Commission G McPhail [1], Infrastructure Advisory Representative B Winchester [1]				Randy Abbott [1]	David Mead [3]	
Infrastructure Advisory Commission	34-1	N/A	NO	N/A	NO	January	Council Representative Appointed Annually						
ACOG BOD				N/A	NO	JAN 2013	Council Rep: CC CHAIR or designee [yearly]; 2 yr terms Citizen Rep: Bob Winchester, Minority Rep: Bennie Cunningham						
Worklink Board					N/A		Worklink contacts Council w/ recommendations when seats open						

[#] - Denotes term. [2] denotes a member who has served one term and less than one half of an additional term making them eligible for one additional appointment.
 [SHADING = reappointment requested - questionnaire on file] Denotes the individual who DOES NOT WISH TO BE REAPPOINTED.
 Bold Italics TEXT denotes member ineligible for reappointment - having served or will complete serving max # of terms at the end of their current term.

**OCONEE COUNTY BOARD / COMMISSION / COMMITTEE
CANDIDATE LISTING**

	DX	AT LARGE	Reappoint Request	AERONAUTICS	PUBLIC SAFETY	REGULATORY	PLANNING	EDUCATION	TOURISM & REC.	Questionnaire Received Date
Lengyel, Edward	1	Yes				x				September 2013
Graham, William	2	Yes			x	x				January 2013
King, Stanley	2	Yes			x	x				January 2013
Richards, Charles	2					x				January 2013
Winchester, Bea	2	Yes	Yes			ACOG				January 2014
Gilster, William A.	3		Yes			PLAN				October 2013
Cunningham, Bennie	3		Yes			ACOG				February 2014
Littlefield, Gary	3		Yes		BZA					May 2013
Pearson, Frankie	4					x		x		September 2013
Jimenez, Jennie	5					x	x	x		January 2013

Areas of Interest (Please check one or more)

Board/Commissions Applicable to Interests

Aeronautics	Aeronautics Commission
Public Safety, Health & Welfare	Auderson-Oconee Behavior Health Services Commission Emergency Services Commission
Regulatory	Building Codes Appeal Board Parks, Recreation & Tourism Commission Board of Zoning Appeals
Planning Activities	Appalachian Council of Governments Board of Directors Board of Zoning Appeals Capital Project Advisory Committee Conservation Bank Board Economic Development Commission Planning Commission Scenic Highway Committee
Education	Arts & Historical Commission Library Board
Tourism & Recreation	Arts & Historical Commission Parks, Recreation & Tourism Commission Scenic Highway Committee