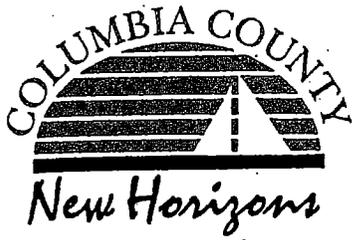


Introductory

Section



FINANCE DEPARTMENT

December 31, 2003

To the Honorable Chairman,
Members of the Board of Commissioners, and
Citizens of Columbia County, Georgia:

The Comprehensive Annual Financial Report (CAFR) of Columbia County, Georgia, for the year ended June 30, 2003, was prepared by the Columbia County Financial Services Division and is hereby submitted. This CAFR is being formally submitted as required by the Official Code of Georgia Annotated, Section 36-81-7 and Rule 15c2-12 of the Securities Exchange Act of 1934. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the County as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in the following four sections:

- The introductory section includes this transmittal letter, a list of principal officials, the County's organization chart, and a copy of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2002.
- The financial section includes the independent auditor's report on the financial statements, management's discussion and analysis, the basic audited financial statements with notes, and combining fund statements.
- The statistical section includes selected financial and demographic information, generally presented on a multi-year basis, and information required by the Securities and Exchange Commission under Rule 15c2-12 of the Securities Exchange Act relating to municipal bond disclosure.
- The single audit section includes schedules of expenditures of federal and state awards and independent auditors' reports relating to these schedules.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Columbia County's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Columbia County, established in 1790 and named in honor of Christopher Columbus, is located in the Central Savannah River Area of Georgia approximately 135 miles east of Atlanta and five miles northwest of Augusta/Richmond County. The 290 square mile county is bounded on the north by Thurmond Lake and the Savannah River (separating Columbia County from Lincoln County, Georgia, and McCormick and Edgefield Counties, South Carolina), on the south and east by Augusta/Richmond County, and on the west by McDuffie County.

A five-member Board of Commissioners governs Columbia County. The Board is comprised of one chairman, elected county wide, and four commissioners, each elected from a separate commission district serving four year staggered terms. A County Administrator, who is appointed by and responsible to the Board, directs the daily operation of the County. Services provided to the approximately 97,000 residents include: public safety (Sheriff's Office, detention center, E911), emergency services, community services, public works, planning and development, and other general governmental services. The County also provides water, sewer, storm water, and solid waste disposal services to the public.

FINANCIAL REPORTING ENTITY

The financial reporting entity includes all activities and functions of the primary government (i.e., Columbia County, Georgia) as well as all related component units, if any. "Financial Accountability" is the benchmark used to determine which legally separate entities represent component units of the primary government. Blended component units, although legally separate entities, are, in substance, an integral part of the primary government's operations and, therefore, are included as part of the primary government. Accordingly, the Columbia County Solid Waste Management Authority is reported as an Enterprise Fund of the primary government because its sole purpose is to perform development, leasing, and long-term planning of a solid waste facility for the County.

The Development Authority of Columbia County and the Columbia County Board of Health are reported as discretely presented component units in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions. The Development Authority serves to promote, pursue, and implement economic development in the County. The Board of Health serves to operate the public health department of the County.

ECONOMIC CONDITION AND OUTLOOK

Columbia County's steadfast growth over the past several years continues to remain strong, and the community and government are vibrant, progressive, and fiscally sound. We continue to attract individuals from all over the country to live, work, and retire in this diverse community.

As a major indicator of sustained growth, new home construction is steadily increasing. The variety of housing developments is impressive. A new public golf course/residential community and a large development with a golf course, clubhouse, community center, park, and four distinct housing neighborhoods are just a few examples of major housing investments that will also add greatly to the quality of life of the community. Despite national trends, new home construction growth increases steadily in the County. Area homebuilders have made application for subdivision plats and building permits in large numbers. These plats include single family and townhouse developments. Single-family and townhouse building permits in FY 2003 increased more than 5 % over the previous year. Commercial plan reviews increased 27 %.

The activity level for retail and commercial development is ongoing with much growth along the major transportation thoroughfares of Washington Road, Belair Road, Interstate 20 intersections, and Furrys Ferry Road. The Columbia County Chamber of Commerce was initiated in June 2003 and has made quite an effort to gain a wide membership. Its executive director has dynamic ideas and is working well with the County government. Plans for a large retail shopping center have been announced, and emphasis is being put into developing high-end retail in the Evans Town Center. As of August 2003, the County had issued 3,957 business licenses – an increase of 420 from the previous year.

A significant medical corridor is developing in the area with University Hospital building a three story medical facility and numerous doctors' offices opening to alleviate the necessity of traveling to downtown Augusta for medical and dental services. Many of these professionals live in the County and contribute greatly to the quality of life in the County by working as volunteer coaches and serving on various boards and authorities.

Through the use of SPLOST (Special Purpose Local Option Sales Tax) funds and in conjunction with a public/private partnership, the County built a one-mile connector road in the County's new industrial park – Horizon North – a 260-acre park located north of Interstate 20 at the Lewiston Road interchange. The current industrial park – Horizon South – has reached current capacity, but the Columbia County Development Authority is working diligently with neighboring property owners to obtain additional property to the current park. This is very attractive to several of the industries currently in Horizon South who are interested in expansion.

Another area of strength is the new Economic Development Executive Director who began working in the spring. This is the first time one individual has been able to concentrate solely on economic development for Columbia County, and the necessary groundwork is being laid as the County anticipates being on the crest of tremendous economic growth in the near future.

In a branding study performed in early 2003, it was abundantly apparent that the citizens of Columbia County are proud to call it home. The quality of life draws people from near and far, and the voters echo the Board's desire and vision for controlled, quality growth. Our citizens are most discriminating and value the natural beauty of our area and its strong, fiscally responsible government. Long-range planning and the continuation of the SPLOST program are essential to this growth. The renewal of the SPLOST program will be on the ballot in 2004.

MAJOR CURRENT YEAR INITIATIVES

Budget. For the fifth consecutive year, the Board of Commission passed a budget without raising the millage rate. The goal is to illustrate great fiscal responsibility while maintaining and expanding programs and services.

1% Special Purpose Local Option Sales Tax (SPLOST). In July 2000, the citizens renewed the SPLOST program for five years to raise not more than \$70,014,000 for transportation, public buildings, recreation, and intergovernmental projects. The referendum was supported by 76% of the voters. This year, Building C was finished on schedule and within budget, and nine roads were paved with construction beginning on eleven other dirt roads. An intersection improvement at a major industrial site off Evans-to-Locks Road will benefit a large addition to the facility. The remaining SPLOST projects to be completed are the new library and transportation projects.

Justice Center. Proceeds from General Obligation Bonds funded the Justice Center that was completed in August 2002 with U.S. Supreme Court Justice Anthony M. Kennedy presiding at the dedication in November 2002. The three courtrooms in this new building have been used almost daily, and the Probate, Magistrate, Juvenile, and Supreme Court Judges, District Attorney, and District Court Administrator have adequate space to perform their functions. This facility has greatly improved the services and convenience for the citizens of the County.

Recreation Master Plan. A ten-year recreation master plan was accepted by the Board of Commissioners in October 2002 and has already been influential in determining the type and location of land for large recreation areas in the future. One 150-acre park was purchased in 2003 using SPLOST funds. Prioritization of recreation projects is being done to ensure that additional facilities provide the spectrum of activities desired by County citizens. The County's recreational facilities are currently being used to their maximum. Public/private partnerships are being explored to provide programs and facilities in the most cost-effective capacity.

Construction at Wildwood Park and the Canal Headgates near the Savannah Rapids Pavilion (SRP) will offer both passive and active recreation uses. A new large picnic pavilion suitable for family reunions, new boat ramps, docks, and enlarged parking will bring in economic benefits with bass fishing tournaments as well as casual recreation for many at Wildwood Park. Reconstruction of the Gatekeepers Cottage, the Dance Pavilion, Dining Hall, and BBQ Pit will be main attractions for the Petersburg boats that will be going up and down the Augusta Canal joining the SRP and the City of Augusta.

GASB 34 Implementation. In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*. In an effort to make annual reports more comprehensive and easier to understand, information about the total cost of providing services and the government’s infrastructure assets will be included as required by GASB 34. The County successfully implemented GASB 34 for fiscal year ended June 30, 2003.

Library. One of the major “selling points” of the 2000 SPLOST referendum was the goal of building a new main public library and performing arts center to be located behind the Justice Center. The final plans for this facility were completed, and the groundbreaking was this summer. The Memorial Garden will be located next to the library and will be the site for many community activities and outdoor concerts. A lighted walking track, natural amphitheater, lighted stage, and pond with a foundation will be featured. Pictures in a monthly newsletter to citizens will keep the community informed of the “growth” of this learning and living center.

Building C. A new administration building was completed on the Evans Government Center campus and houses the Tax Assessor, Tax Commissioner, Finance, and Information Technology. Bringing the Tax Assessor and Tax Commissioner from Appling will provide the citizens of Columbia County with “one-stop shopping” for their government needs, which has long been a customer service goal.

MAJOR FUTURE INITIATIVES

Fire Services. Public safety is the first responsibility of local government. Our award-winning Sheriff’s Office is highly respected, and its community-based policing is most effective. Fire prevention, on the other hand, is privately provided and funded by subscriptions. Based on recommendations received from a fire study performed in 2003, the Board has decided to fund fire services through taxation and to contract with existing fire departments to provide the services effective January 2004. This will enable the fire departments to collect all the funding from their districts and will allow the County to purchase equipment and provide training.

Transportation. Georgia DOT funding is more limited each year, but they recognize the rapid growth of the area and try to improve the major transportation corridors as much as possible. A turn lane was added to a section of Washington Road with more improvements ready for funding and implementation. A county-wide transportation study was completed in 2003, and all facets of the County (Planning, Engineering, and Construction & Maintenance) are prioritizing and coordinating efforts in this important endeavor.

Water. The Water and Sewerage Department is in the process of developing a 5-year capital improvement plan that will include improvements to the water distribution, sewage collection, and maintenance facilities. Once the plan is completed and accepted by the Board, an anticipated revenue bond may be issued in the Fall of 2004 to finance these improvements.

Marketing Studies. The County contracted with a firm to perform a marketing study and branding strategy for both the County and the Sheriff's Department in an effort to ensure that we are putting "our best foot forward" for economic development and recruiting. The results indicated that the citizens are rightfully proud of Columbia County and appreciate its quality of life. The search for a new or improved logo is still ongoing, but this marketing effort has been a unifying force with the Columbia County Chamber of Commerce, the Development Authority, and the County.

In 2003, a study was done on the commercial area of Martinez and the need to revitalize the area with a mixed-use development plan. Recommendations from this study can be reached over the next few years as the County and the businesses work cooperatively.

INTERNAL CONTROLS

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control process is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As part of the County's annual single audit, required in conformity with provisions of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, tests are made to determine the adequacy of the internal control structure including that portion relating to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The single audit for the year ended June 30, 2003, disclosed no material internal control weaknesses or material violations of laws and regulations.

BUDGETARY CONTROLS

The County is required to adopt a balanced budget each year and maintain budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Commissioners. Activities of the General Fund, Special Revenue Funds, and Debt Service Fund are included in the annual appropriated budget. Project-length plans are adopted for the Capital Projects Funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed appropriations) is the departmental level within each fund. The County Administrator may authorize transfers of appropriations within departments (except salary line

items). Transfers of appropriations from one department to another or from one fund to another require approval of the Board of Commissioners.

The County maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget. A detailed explanation of the County's budget procedures can be found in the notes to the financial statements.

DEBT ADMINISTRATION

Columbia County continues to maintain strong bond ratings with the major credit rating services. In May 2001, the County prepared comprehensive presentations for Fitch IBCA, Standard & Poor's, and Moody's Investor Service rating agencies in an effort to upgrade the current uninsured ratings applied to the County's water and sewerage revenue bonds and general obligation bonds. The County received notification from Fitch IBCA that the County's water and sewerage revenue bonds rating was upgraded from A+ to AA-. Moody's and Standard & Poor's issued ratings of Aa3 and A, respectively, to the water and sewerage bonds. Fitch maintained the rating of AA- on the County's general obligation bonds, while Moody's and Standard & Poor's upgraded the ratings from A1 to Aa3 and from A+ to AA-, respectively. The County will continue to follow prudent fiscal policies and practices in order to maintain its strong credit rating.

CASH MANAGEMENT

While any investment instrument or decision carries certain elements of risk, numerous safeguards are available to minimize the risk while generating a market rate of return. Columbia County seeks to obtain market rates of return on its investments consistent with constraints imposed by its safety objectives, cash flow considerations, and Georgia state laws. Safety of principal is the foremost objective. Each investment transaction shall first seek to ensure that capital losses are avoided, whether they be from defaults or erosion of market value.

Idle funds are invested primarily in obligations of the State of Georgia and other states; obligations issued, fully insured, or guaranteed by the United States; collateralized certificates of deposit; and repurchase agreements. The County strives to maximize investment income while minimizing risk and maintaining liquidity sufficient to cover cash operating requirements. The County utilizes various forms of investment instruments to avoid incurring unreasonable risks inherent in the lack of diversification in specific instruments, individual financial institutions, or maturities. Investment maturities are scheduled to coincide with projected cash flow needs, taking into account large routine scheduled expenditures, as well as considering unanticipated revenues and expenditures.

Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it

always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

RISK MANAGEMENT

The purpose of the Columbia County risk management program is to minimize the financial burden incurred by the County as a result of work-related injuries, loss of County property, and damages which may be incurred by third parties. The County has elected to utilize coverages provided by the Association County Commissioners of Georgia Interlocal Risk Management Agency (ACCG-IRMA) and the Association County Commissioners of Georgia Group Self-Insured Workers' Compensation Fund (ACCG-GSIWCF). The County continues to maintain self-insured retention levels of in the ACCG-IRMA and ACCG-GSIWCF programs, respectively. An Internal Service Fund is used to account for costs associated with risk management, with the exception of workers' compensation, which continues to be accounted for within the General Fund. Reserves are being accumulated in both funds to meet potential losses. As reserves increase, retention levels may be increased, reducing the annual cost of coverage.

Management remains committed to a safe working environment. Employee education and training enhance and supplement ongoing efforts to maintain a safe and healthy environment for all County employees. Training classes, such as CPR and first aid, defensive driving, self defense, workplace violence, and office ergonomics, are made available for all County employees.

Augmenting the Workers' Compensation and Employee Health Plans, the County has several cost reduction agreements with University Hospital including a Preferred Provider Agreement, a Health Link Agreement with physicians, and an Occupational Health Agreement. The County also has a service agreement with University Behavioral Health Services, which provides an Employee Assistance Program. Enhancements are continually being made to the preferred provider network, and the County will continue to negotiate lower fees with providers and to evaluate provider services and treatment plans.

INDEPENDENT AUDIT

The Code of Ordinances of Columbia County and the Official Code of Georgia require an annual independent audit of the County's financial records by a certified public accounting firm. The accounting firm of Elliott Davis, LLC was selected by the Management and Financial Services Committee and approved by the Board of Commissioners in May 2003 as independent auditors for fiscal years ending June 30, 2003 and 2004. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The auditors' report on the basic financial statements is included in the financial section of this report.

The auditors' reports on internal controls and compliance with applicable laws and regulations are included in the single audit section of this report.

AWARDS

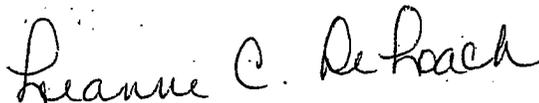
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Columbia County, Georgia, for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the fifth consecutive year that the County achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the support and cooperation of elected officials, County administration, other County departments, external auditors, and the efficient, dedicated efforts of the entire staff of the Finance Department. Credit must be given to the County Administrator and the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of Columbia County's finances.

Respectfully submitted,



Leanne C. DeLoach, CPA
Director of Financial Services

**COLUMBIA COUNTY, GEORGIA
PRINCIPAL OFFICIALS
June 30, 2003**

ELECTED OFFICIALS

BOARD OF COMMISSIONERS

Ron C. Cross, Chairman
Thomas W. Mercer, Jr., Vice Chairman, District 2

District 1
District 3
District 4

Stephen W. Brown, Jr.
Diane H. Ford
Lee Anderson

CONSTITUTIONAL OFFICERS

Tax Commissioner
Clerk of Court
Magistrate Court Judge
Probate Court Judge
Sheriff
Coroner

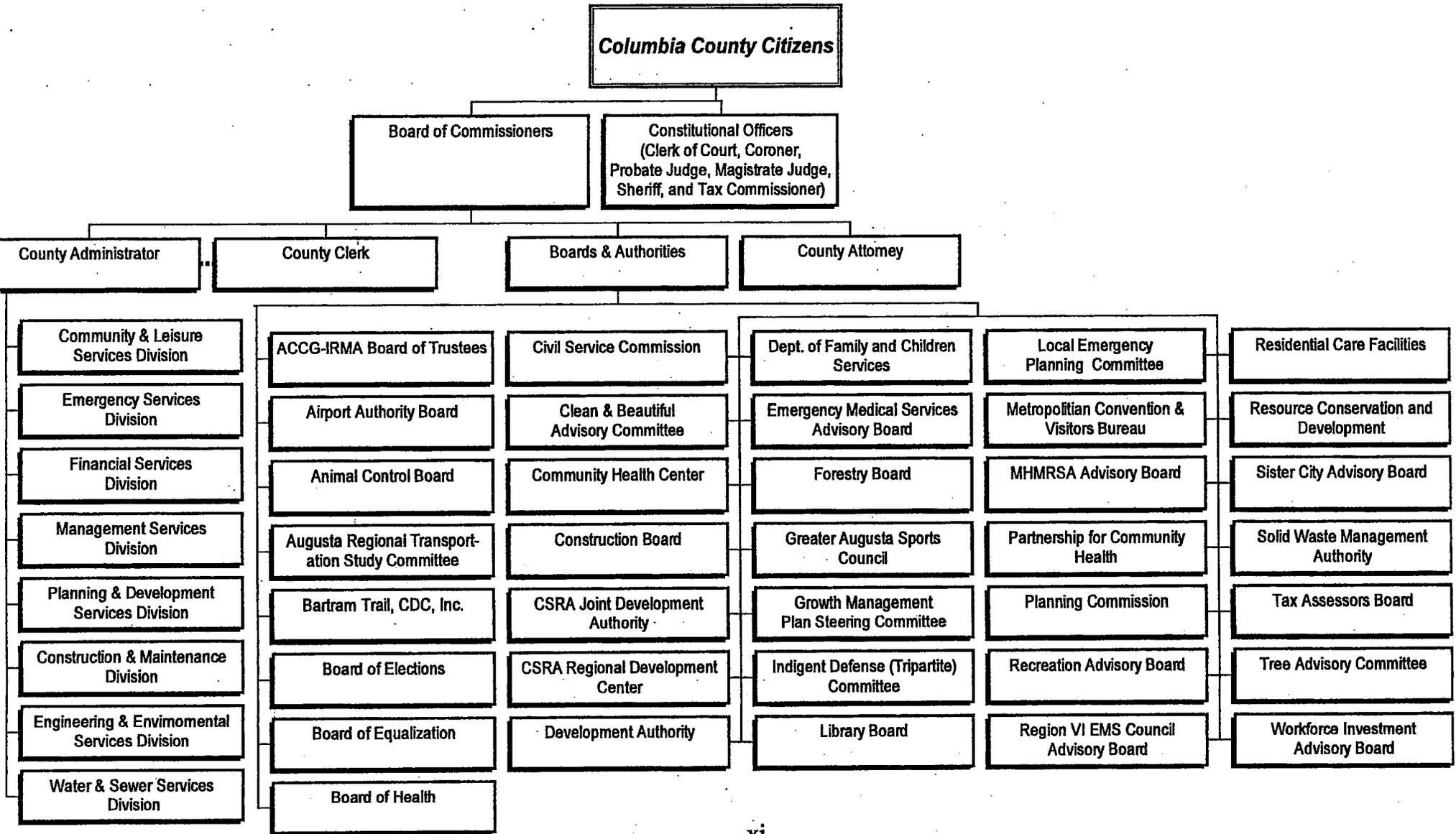
Kay Allen
Cindy Mason
David Huguenin
Pat Hardaway
Clay Whittle
Tommy King

APPOINTED OFFICIALS

County Administrator
Director of Financial Services
Director of Engineering and Environmental Services
Director of Community and Leisure Services
Director of Planning and Development Services
Director of Water and Sewerage Services
Director of Construction and Maintenance Services
Director of Emergency Services
County Clerk
County Attorney

Steve Szablewski
Leanne C. DeLoach
James Leiper
Barry Smith
Jeff Browning
William C. Clayton
Kevin Lear
Pamela P. Tucker
Phebe J. Dent
Douglas D. Batchelor, Jr.

Columbia County Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Columbia County,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director