

TOWNS COUNTY, GEORGIA
HIAWASSEE, GEORGIA

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL MATERIAL

FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009

TOWNS COUNTY, GEORGIA
FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

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TOWNS COUNTY, GEORGIA
FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

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June 20, 2011

INDEPENDENT AUDITOR'S REPORT

To the Commissioner
Towns County, Georgia
Hiawassee, Georgia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Towns County, Georgia, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Towns County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements include certain prior-year summarized comparative information presented in total but not by major fund class. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2009, dated July 22, 2010 from which the summarized information was derived. We did not audit the financial statements of the Towns County Health Department. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for Towns County Health Department, on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Towns County, Georgia, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated June 20, 2011 on our consideration of Towns County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, and budgetary comparison information on pages 28 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements of Towns County, Georgia taken as a whole. The combining and individual fund statements for the year ended December 31, 2010, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the information is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Plumley, Arnold & Buge

Towns County, Georgia
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009

Management's discussion and analysis provides an objective and easily readable analysis of the Government's financial activities. The analysis provides summary financial information for Towns County and should be read in conjunction with the Government's financial statements.

FINANCIAL HIGHLIGHTS

- The County's assets exceeded its liabilities at the close of the fiscal year by \$ 16,285,298 (net assets).
- The government's total net assets increased \$ 1,696,415 for the current year, a 10.4% increase. This was due to conservative and prudent planning to keep the County in strong financial position in order to cope with the deepening recession and anticipated revenue losses, i.e., non-growth or reduction in the tax digest, decrease in the millage rate from previous year, reductions in, sales taxes, beer and wine taxes, and most other revenue sources, and by the continued implementation of conservative fiscal policies adopted by the County Commissioner.
- The general fund reported a \$ 769,497 gain due to factors indicated above.
- County general funds are in interest bearing bank accounts whenever eligible, earning \$ 64,865 in additional funds for the 2010 year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Government's basic financial statements comprise three components: **1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements.** The **Government-wide financial statements** present an overall picture of the Government's financial position and results of operations. The **Fund financial statements** present financial information for the Government's major funds. This report also contains other supplementary information in addition to the basic financial statements themselves.

The **Government-wide financial statements** are the Statement of Net Assets and the Statement of Activities. Emphasis is placed on the net assets of governmental activities and the change in net assets. Governmental Activities are primarily supported by property taxes, sales taxes, other taxes, and federal and state grants, fines, and charges for services.

The statement of net assets presents the County's assets and liabilities, with the difference between the two reported as net assets. Over time the change in net assets is an indicator of the improvement (an increase) or deterioration (a decrease) in the County's financial condition.

The statement of activities presents the revenues and expenditures of the County. The difference between these is the change in net assets for the year.

Both of the government-wide financial statements identify the various functions of Towns County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through charges and user fees. The governmental activities of Towns County include general government, public safety, court system, health and welfare, recreation and culture, public works, housing and development.

The government-wide financial statements include not only Towns County, Georgia itself (known as the primary government), but also a legally separate Towns County Health Department, a component unit of the County. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Towns County can be divided into two categories: governmental funds and fiduciary funds. These statements provide financial information for the major funds of Towns County. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures) and current available resources.

Towns County, Georgia
 Management's Discussion and Analysis
 For the Years Ended December 31, 2010 and 2009

Fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all governmental funds. A statement of revenues, expenditures, and changes in fund balances is provided for the Government's General Fund.

Fund financial statements provide more detailed information about the Government's activities. Individual funds are established to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal grants.

GOVERNMENT-WIDE FINANCIAL INFORMATION

The government-wide financial statements and the fund financial statements provide different pictures of the Government. The government-wide financial statements provide an overall picture of the Government's financial standing as shown in results for Governmental Activities. These statements are comparable to private-sector companies and give a good understanding of the Government's overall financial health and how the Government paid for the various activities, or functions, provided by the Government.

At December 31, 2010 and 2009 respectively, the County's assets exceeded liabilities by \$ 16,285,298 and \$ 14,588,883. The largest portion of the County's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets as of December 31, 2010 and 2009

	Governmental Activities	
	2010	2009
Current and other assets	\$ 10,238,242	\$ 9,512,746
Capital assets	12,038,849	11,816,547
Total assets	<u>22,277,091</u>	<u>21,329,293</u>
Long-term liabilities outstanding	47,612	518,349
Other liabilities	5,944,181	6,222,061
Total liabilities	<u>5,991,793</u>	<u>6,740,410</u>
Net assets:		
Invested in capital assets, net of related debt	11,940,863	11,020,706
Restricted	159,554	115,837
Unrestricted	4,184,881	3,452,340
Total net assets	<u>\$ 16,285,298</u>	<u>\$ 14,588,883</u>

Towns County, Georgia
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009

Changes in Net Assets

The County's total revenues before transfers for fiscal year ended December 31, 2010 totaled \$ 11,648,225. Expenditures were \$ 9,951,810 with an overall change in net assets of \$ 1,696,415.

Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 2,654,149	\$ 2,041,552
Operating grants and contributions	495,661	449,271
Capital grants and contributions	90,942	-
General revenues:		
Property taxes	5,969,057	5,897,943
Sales tax	1,399,085	1,471,427
Other taxes	963,959	1,045,309
Unrestricted investment earnings	64,865	96,903
Miscellaneous	11,960	22,279
Gain (Loss) on sale of capital assets	(1,453)	(195,122)
Total Revenues	<u>11,648,225</u>	<u>10,829,562</u>
Expenditures:		
General government	1,317,479	1,190,238
Public safety	4,519,920	4,340,883
Court system	760,771	815,694
Health and welfare	950,505	917,193
Recreation and culture	574,920	557,409
Public works	1,340,415	1,148,301
Housing and development	438,827	403,112
Interest on long-term debt	48,973	51,899
Total Expenditures	<u>9,951,810</u>	<u>9,424,729</u>
Increase in net assets before transfers	1,696,415	1,404,833
Transfers	-	-
Change in net assets	1,696,415	1,404,833
Net assets, January 1	<u>14,588,883</u>	<u>13,184,050</u>
Net assets, December 31	<u>\$ 16,285,298</u>	<u>\$ 14,588,883</u>

Towns County, Georgia
 Management's Discussion and Analysis
 For the Years Ended December 31, 2010 and 2009

FUND FINANCIAL INFORMATION

Major Governmental Funds

General Fund

The General Fund is used to account for all governmental financial resources not restricted by local, state or federal laws. As of December 31, 2010, the General Fund had assets of \$ 10,106,885 and liabilities of \$ 6,433,284.

The final budget for the General Fund increased by \$ 756,050 from fiscal year 2009 to fiscal year 2010 based on final budgeted appropriations.

CAPITAL ASSETS ACTIVITY

During fiscal year 2010, the County's investment in capital assets grew \$ 222,302 net. The County spent \$ 964,923 in capital outlay (which included purchasing approximately 51 acres of land at a cost of \$700,000 to be used for recreational purposes) and booked \$ 733,869 in depreciation for its governmental activities. The County disposed of capital assets totaling \$ 86,295 which created a loss of \$ 1,453. Further detail on capital assets is provided in the notes to the financial statements.

	Governmental Activities
Land (not depreciated)	4,510,217
Land Improvements	289,521
Buildings and Improvements	7,472,690
Vehicles, Machinery, Equipment	5,068,748
Infrastructure	492,915
Total	\$ 17,834,091

LONG-TERM DEBT

The County was liable for long-term capital lease obligations totaling \$ 795,841 (Jail debt and E911 Equipment debt) and \$ 97,986 (E911 equipment debt only) at December 31, 2009 and 2010, respectively. The County paid off the remaining balance of \$ 466,695 on the long-term debt for the Towns County Jail in December of 2010 in order to eliminate the 5.57% interest rate on the debt.

Further detail on long-term debt liability is provided in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues of \$ 10,778,744 exceeded budgeted revenues of \$ 9,668,894 and budgeted use of surplus reserves of \$ 558,771 in 2010. The positive results are attributed to better than anticipated tax revenue collections and improved collections for the transfer station and ambulance services.

General Fund expenditures (before transfers) were less than budgeted. With total appropriations of \$ 10,227,605, and budgeted expenditures before transfers of \$ 9,837,605, the County actually spent \$ 9,627,530 or \$ 210,075 less than budgeted, for the year ending December 31, 2010. This was achieved through continued implementation of conservative fiscal policies adopted by the Commissioner.

Towns County, Georgia
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009

ECONOMIC FACTORS

The issues facing the national economy correlate with the County's local economy. The lack of consumer confidence is evident in the reduced sales tax collections. The County plans to maintain a conservative fiscal position while the economic conditions dictate.

Budgets are reviewed on a monthly basis with each department head to determine that expenditures are within the overall adopted budget. The County Commissioner holds department head meetings to discuss any overspending, when necessary, and requires department heads to curtail spending in order to bring their department in line with the budget.

The budget for the general fund for 2011 is \$ 10,285,273, which is an increase of 8.85% over the original budget from the previous year. The increase is in the grant expenditures which include a Department of Justice Grant for the sheriff's department, a Health Emergency Medical Services Grant, and a Department of Community Affairs Block Grant for the Senior Center. All other department appropriations remain the same as previous year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Towns County's finances for those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Towns County Commissioner
48 River St, Suite B
Hiawassee, GA 30546

TOWNS COUNTY, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2010 and 2009

	PRIMARY GOVERNMENT		June 30, 2010
	GOVERNMENTAL ACTIVITIES		COMPONENT
	2010	2009	UNIT
			HEALTH
			DEPARTMENT
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 5,462,950	\$ 5,329,880	\$ 184,321
Receivables, net of uncollectable	4,683,917	4,107,919	8,349
Prepaid Items	91,375	74,947	-
	<u>10,238,242</u>	<u>9,512,746</u>	<u>192,670</u>
Capital Assets			
Capital assets not being depreciated:			
Land	4,510,217	3,807,616	-
Capital assets being depreciated:			
Land improvements, depreciable	289,521	260,551	-
Buildings and improvements	7,472,690	7,472,690	-
Furniture and equipment	1,618,694	1,639,897	-
Vehicles and heavy equipment	3,450,054	3,281,794	-
Infrastructure	492,915	492,915	-
Less: accumulated depreciation	<u>(5,795,242)</u>	<u>(5,138,916)</u>	<u>-</u>
Capital Assets, net of depreciation	<u>12,038,849</u>	<u>11,816,547</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 22,277,091</u></u>	<u><u>\$ 21,329,293</u></u>	<u><u>\$ 192,670</u></u>

The notes to the financial statements are an integral part of these statements

TOWNS COUNTY, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2010 and 2009

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES		June 30, 2010 COMPONENT UNIT HEALTH DEPARTMENT
	2010	2009	
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 155,337	\$ 91,300	\$ -
Accrued liabilities	197,096	168,417	-
Contingent liabilities	32,000	32,000	-
Unearned revenues	5,376,215	5,573,615	-
Compensated absences	133,159	79,237	36,000
Capital lease payable	50,374	277,492	-
Total Current Liabilities	5,944,181	6,222,061	36,000
Noncurrent liabilities			
Compensated absences	-	-	26,525
Capital lease payable	47,612	518,349	-
Total Noncurrent Liabilities	47,612	518,349	26,525
TOTAL LIABILITIES	5,991,793	6,740,410	62,525
NET ASSETS			
Invested in capital assets, net of related debt	11,940,863	11,020,706	-
Restricted for special revenue funds	159,554	115,837	-
Unrestricted	4,184,881	3,452,340	130,145
TOTAL NET ASSETS	\$ 16,285,298	\$ 14,588,883	\$ 130,145

TOWNS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010 and 2009

	Expenditures	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 1,317,479	\$ 45,654	\$ 125,523	\$ -
Public safety	4,519,920	721,892	162,433	90,942
Court system	760,771	843,426	79,146	-
Health and welfare	950,505	230,622	100,997	-
Recreation and culture	574,920	234,309	-	-
Public works	1,340,415	484,428	27,562	-
Housing and development	438,827	93,818	-	-
Interest and paying agent fees	48,973	-	-	-
Total Primary Government	\$ 9,951,810	\$ 2,654,149	\$ 495,661	\$ 90,942
Component Units:				
Towns County Health Department	\$ 567,311	\$ 230,198	\$ 344,728	\$ -
Total Component Units	\$ 567,311	\$ 230,198	\$ 344,728	\$ -

GENERAL REVENUES:

- Taxes
 - Property taxes
 - Sales taxes
 - Other taxes
- Investment earnings
- Miscellaneous
- Gain (loss) on sale of capital assets

Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS - Beginning

NET ASSETS, ENDING

The notes to the financial statements are an integral part of these statements

TOWNS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010 and 2009

Net (Expenditure) Revenue and Changes in Net Assets		June 30, 2010
Primary Government		Component Unit
Governmental Activities	2009 Totals	Towns County Health Dept.
\$ (1,146,302)	\$ (1,129,737)	
(3,544,653)	(3,643,078)	
161,801	(127,394)	
(618,886)	(561,003)	
(340,611)	(337,491)	
(828,425)	(735,899)	
(345,009)	(347,405)	
(48,973)	(51,899)	
<u>\$ (6,711,058)</u>	<u>\$ (6,933,906)</u>	
		<u>\$ 7,615</u>
		<u>\$ 7,615</u>
\$ 5,969,057	\$ 5,897,943	-
1,399,085	1,471,427	-
963,959	1,045,309	-
64,865	96,903	-
11,960	22,279	-
(1,453)	(195,122)	-
<u>8,407,473</u>	<u>8,338,739</u>	<u>-</u>
1,696,415	1,404,833	7,615
<u>14,588,883</u>	<u>13,184,050</u>	<u>122,530</u>
<u>\$ 16,285,298</u>	<u>\$ 14,588,883</u>	<u>\$ 130,145</u>

TOWNS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010 and 2009

	General	Other Nonmajor Governmental Funds	Total Governmental Funds	Total Prior Year Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,409,457	\$ 53,493	\$ 5,462,950	\$ 5,329,880
Receivables, net	4,626,765	57,152	4,683,917	4,107,919
Due from other funds	-	44,362	44,362	51,809
Prepaid items	70,663	20,712	91,375	74,947
TOTAL ASSETS	<u>\$ 10,106,885</u>	<u>\$ 175,719</u>	<u>\$ 10,282,604</u>	<u>\$ 9,564,555</u>
LIABILITIES				
Accounts payable	\$ 151,684	\$ 3,652	\$ 155,336	\$ 91,300
Accrued liabilities	184,583	12,513	197,096	168,417
Contingent liabilities	32,000	-	32,000	32,000
Deferred revenues	6,020,655	-	6,020,655	6,201,088
Due to other funds	44,362	-	44,362	51,809
Total liabilities	<u>6,433,284</u>	<u>16,165</u>	<u>6,449,449</u>	<u>6,544,614</u>
FUND BALANCE				
Non-spendable:				
Prepaid items	70,663	-	70,663	74,947
Restricted:				
Special revenue funds	-	159,554	159,554	115,837
Unassigned :	3,602,938	-	3,602,938	2,829,157
Total fund balances	<u>3,673,601</u>	<u>159,554</u>	<u>3,833,155</u>	<u>3,019,941</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,106,885</u>	<u>\$ 175,719</u>	<u>\$ 10,282,604</u>	<u>\$ 9,564,555</u>

The notes to the financial statements are an integral part of these statements

TOWNS COUNTY, GEORGIA
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
December 31, 2010 and 2009

Amounts reported for governmental activities in the Statement of Net Assets are different because:

	2010	2009
Fund balance - total government funds	\$ 3,833,155	\$ 3,019,941
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	12,038,849	11,816,547
Revenues in the Statement of Activities that do not provide current financial resources are reported as deferred revenues in the funds.	644,440	627,473
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(133,159)	
Capital lease payables	(97,986)	(875,078)
Rounding	(1)	-
	\$ 16,285,298	\$ 14,588,883

The notes to the financial statements are an integral part of these statements

TOWNS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2010 and 2009

	General	Other Nonmajor Governmental Funds	Total Governmental Funds	Total Prior Year Governmental Funds
REVENUES				
Taxes	\$ 8,379,293	\$ 270,857	\$ 8,650,150	\$ 8,317,660
Licenses and permits	93,818	-	93,818	55,707
Fines and forfeitures	305,795	60,450	366,245	413,895
Charges for services	1,298,990	421,539	1,720,529	1,420,966
Interest income	64,740	125	64,865	96,903
Intergovernmental	474,835	100,997	575,832	310,098
Contributions and donations	29,729	-	29,729	18,584
Other	131,544	-	131,544	142,869
TOTAL REVENUES	<u>\$ 10,778,744</u>	<u>\$ 853,968</u>	<u>\$ 11,632,712</u>	<u>\$ 10,776,682</u>
EXPENDITURES				
Current Operating				
General government	\$ 1,308,804	\$ -	\$ 1,308,804	\$ 1,174,344
Public safety	3,711,050	419,814	4,130,864	3,992,822
Court system	646,757	20,453	667,210	745,346
Public works	1,179,551	-	1,179,551	991,763
Health and welfare	464,371	422,086	886,457	878,655
Recreation and culture	501,070	-	501,070	491,939
Housing and development	170,221	270,868	441,089	402,446
Capital Outlay	935,123	29,800	964,923	915,216
Debt Service: Principal	665,278	67,577	732,855	321,577
Debt Service: Interest	45,305	3,669	48,974	51,897
TOTAL EXPENDITURES	<u>9,627,530</u>	<u>1,234,267</u>	<u>10,861,797</u>	<u>9,966,005</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,151,214</u>	<u>(380,299)</u>	<u>770,915</u>	<u>810,677</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	7,299	-	7,299	-
Proceeds from financing	-	35,000	35,000	170,000
Transfers in (out)	(389,016)	389,016	-	-
TOTAL OTHER FINANCING SOURCES	<u>(381,717)</u>	<u>424,016</u>	<u>42,299</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	769,497	43,717	813,214	980,677
FUND BALANCE, BEGINNING	<u>2,904,104</u>	<u>115,837</u>	<u>3,019,941</u>	<u>2,039,264</u>
FUND BALANCE, ENDING	<u>\$ 3,673,601</u>	<u>\$ 159,554</u>	<u>\$ 3,833,155</u>	<u>\$ 3,019,941</u>

The notes to the financial statements are an integral part of these statements

TOWNS COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010 and 2009

Amounts reported for governmental activities in the Statement of Activities are different as a result of:

	<u>2010</u>	<u>2009</u>
Net change in fund balances	\$ 813,214	\$ 980,677
<p>Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Activities, in which the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:</p>		
Capital outlay	964,923	
Depreciation expense	<u>(733,869)</u>	195,517
	231,054	
<p>Certain liabilities reported in the Statement of Activities do not require the use of current financial resources and therefore, the adjustment to expenditures is not reflected in the fund statements.</p>		
	(53,922)	24,180
<p>Some governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental activities.</p>		
Property Taxes	266,048	
Fines	365,052	
Gas Sales	<u>13,340</u>	627,473
	644,440	
<p>Revenues reported in the funds that relate to prior years are not reported as revenues in the statement of activities.</p>		
	(627,473)	(379,469)
<p>The difference between the proceeds from the sale or disposition of capital assets and the associated gain/loss are not reflected in the government fund statements.</p>		
Proceeds from sale of assets	(7,299)	
Gain (loss) on disposed assets	<u>(1,453)</u>	(195,122)
	(8,752)	
<p>Repayment of long term debt is reported as an expenditure in governmental funds, but a reduction of long term liabilities in the Statement of Net Assets.</p>		
	732,855	321,577
<p>Revenues reported as proceeds from financing on fund statements are shown as an increase in long term liabilities in the Statement of Net Assets.</p>		
	(35,000)	(170,000)
Rounding	<u>(1)</u>	<u>-</u>
	<u>\$ 1,696,415</u>	<u>\$ 1,404,833</u>

The notes to the financial statements are an integral part of these statements

TOWNS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	<u>\$ 94,420</u>	<u>\$ 218,883</u>
TOTAL ASSETS	<u>\$ 94,420</u>	<u>\$ 218,883</u>
LIABILITIES		
Funds held in trust	<u>\$ 94,420</u>	<u>218,883</u>
TOTAL LIABILITIES	<u>\$ 94,420</u>	<u>\$ 218,883</u>

The notes to the financial statements are an integral part of these statements

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Towns County, Georgia (the “County”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

Towns County, Georgia is a political subdivision of the State of Georgia governed by an elected commissioner. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

The component unit columns in the combined financial statements include the financial data of the County’s component units which meet the criteria established by governmental accounting standards. The Towns County Health Department issues separate financial statements which have a June 30 year-end as required by state statutes.

A brief description of discretely presented component unit follows:

Towns County Health Department (health department): The health department is charged with determining the health needs and resources of its jurisdiction, developing programs, activities, and facilities responsive to those needs, and enforcing all laws related to health matters unless they fall under the jurisdiction of other agencies. The health department is governed by the Towns County Board of Health (Board). The Board includes seven members representing government, health professions, and the needy. The County appoints the voting majority of the Board. The health department is fiscally dependent on the County since it must have its budget approved by the County. Additionally, the County provides significant operating subsidies to the department.

Complete financial statements of the Towns County Health Department may be obtained from their administrative office at the following location:

Towns County Health Department
41 River Street
Hiawassee, Georgia 30546

Based on the GASB criteria, the following potential component units are not financially accountable to the Commissioner and their operations are not considered component units and are not included in this report because the government does not have the ability to exercise influence over their daily operations, approve budgets or provide funding.

Related Parties

Towns County Board of Family and Children Services – although the Board is appointed by the County, this is considered a State agency with funding and oversight by the State.

Towns County Recreation Authority – the Board is appointed by the County. However, the County has no ability to impose its will, nor does the County have a financial obligation for the Authority.

Other

Towns County Board of Education – has a separately elected Board and provides services to residents of the County.

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment is offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected by the end of the current fiscal period. Revenues susceptible to accrual are considered as available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental grant revenues, entitlements, and contributions are recognized in the year in which all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, franchise taxes, fines, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The non-major governmental funds are combined and reported in a single column in the fund financial statements.

Additionally, the government reports the following fund types:

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

Agency funds are custodial in nature and do not represent results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury and its agencies and instrumentalities; bonds or certificates of indebtedness of this state and its agencies and instrumentalists; certificates of deposits of banks insured by FDIC.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/payable" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on October 26, 2010 and were due January 10, 2011. Interest of 1% per month is assessed on taxes not paid by this date. The taxes are subject to lien after January 11, 2011. A penalty of 10% is assessed on taxes not paid by this date.

The County bills and collects its own property taxes and also those for the School Board and the State. Only the County's tax levy is recognized as revenue when levied and uncollected taxes are recorded as deferred revenue in the general fund.

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory and Prepaid Items

Inventories of the primary government are not recorded due to a lack of materiality.

Certain payments to vendor reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial cost of \$ 5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Roads, bridges and culverts acquired prior to December 31, 2003, have not yet been reported.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40
Building Improvements	10-25
Machinery and Equipment	5-10
Vehicles	5
Infrastructure	10-50

Compensated Absences

Employees earn personal leave at the rate of 10 hours per month for full-time employees. Personal leave cannot be accrued in excess of 480 hours. Upon request, employees can be paid for personal leave up to their accumulated hours. Personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The total compensated absence liability is reported on the government-wide financial statements.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Management Estimates

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

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Government Fund Type Definitions, the County classifies government fund balances as follows:

- Non-spendable – includes fund balances that cannot be spent either because it is not in spendable forms or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the County Commissioner.
- Unassigned includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds,

The County doesn't have an official policy; however, the County uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The County does not have a formal minimum fund balance policy.

A schedule of fund balances is as follows:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Non-spendable			
Prepaid items	70,663	-	70,663
Restricted:			
Public safety	-	118,444	118,444
Court system	-	19,896	19,896
Health and welfare	-	21,214	21,214
Unassigned:	<u>3,602,938</u>	<u>-</u>	<u>3,602,938</u>
Total Fund Balance	<u><u>3,673,601</u></u>	<u><u>159,554</u></u>	<u><u>3,833,155</u></u>

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 2 – DEPOSITS AND INVESTMENTS

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy for custodial credit risk is to obtain collateral from financial institutions in accordance with state law. The government's bank balances were insured or collateralized as December 31, 2010.

The County utilized the direct method and pooled method of securing deposits of public funds as described below.

- Under the dedicated method, a depository shall secure the deposits of each of these public depositors separately.
- Under the pooled method, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1.

Note 3 – RECEIVABLES

Receivables as of the year end for the County's individual major funds, nonmajor governmental funds in the aggregate, and enterprise fund including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Child Development Center	Emergency 911	Component Unit TC Health Department
Receivables:				
Property taxes	\$ 3,516,075	\$ -	\$ -	\$ -
Other taxes	212,042	-	-	-
Ambulance	232,758	-	-	-
Fines	561,565	-	-	-
Accrued interest	25,665	-	-	-
Other accounts	320,920	4,915	42,857	8,349
Intergovernmental	44,784	9,380	-	-
Total Gross Receivables	<u>4,913,809</u>	<u>14,295</u>	<u>42,857</u>	<u>8,349</u>
Less: Allowances for uncollectibles	(287,044)	-	-	-
Total Net Receivables	<u>\$ 4,626,765</u>	<u>\$ 14,295</u>	<u>\$ 42,857</u>	<u>\$ 8,349</u>

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues typically involve property taxes received by year end for the subsequent year. The various components of deferred revenue and unearned revenue reported in the governmental funds at the end of the current fiscal year were as follows:

	Unavailable	Unearned	Total
General Fund			
Property tax	\$ 266,048	\$ 5,376,215	\$ 5,642,263
Probation fines	365,052	-	365,052
Gas reimbursement	<u>13,340</u>	<u>-</u>	<u>13,340</u>
Total	<u>\$ 644,440</u>	<u>\$ 5,376,215</u>	<u>\$ 6,020,655</u>

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Not being depreciated:				
Land	\$ 3,807,616	\$ 702,601	\$ -	\$ 4,510,217
Other Capital Assets:				
Land improvements	260,551	28,970	-	289,521
Buildings	7,472,690	-	-	7,472,690
Equipment	4,921,691	233,352	86,295	5,068,748
Infrastructure	492,915	-	-	492,915
	<u>13,147,847</u>	<u>262,322</u>	<u>86,295</u>	<u>13,323,874</u>
Accumulated Depreciation				
Land improvements	103,908	16,497	-	120,405
Buildings	2,165,098	180,899	-	2,345,997
Equipment	2,752,390	515,724	77,543	3,190,571
Infrastructure	117,520	20,749	-	138,269
	<u>5,138,916</u>	<u>733,869</u>	<u>77,543</u>	<u>5,795,242</u>
Net Capital Assets	<u>\$ 11,816,547</u>	<u>\$ 231,054</u>	<u>\$ 8,752</u>	<u>\$ 12,038,849</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 51,513
Judicial	169
Public Safety	403,022
Public works	178,519
Health and welfare	39,687
Culture/recreation	60,959
Total	<u>\$ 733,869</u>

Note 5 – DEBT

Long-Term Debt

Long-term liability for the year ended December 31, 2010 was as follows:

Description	Beginning Balance	New Debt	Debt Retired	Ending Balance	Amount Due Within 12 Months	Amount Due After 12 Months
Government Activities						
Capital Leases	<u>\$ 795,841</u>	<u>\$ 35,000</u>	<u>\$ 732,855</u>	<u>\$ 97,986</u>	<u>\$ 50,374</u>	<u>\$ 47,612</u>

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 5 – DEBT (CONTINUED)

Long-Term Debt Descriptions

The County acquired various assets through capital leases and are as follows:

In December of 2000, the County entered into a capital lease to finance the construction of the new jail. The lease was obtained through Association County Commissioners of Georgia and is secured by real estate and equipment purchased with lease proceeds. On June 29, 2007, the County renegotiated the terms of the lease agreement to secure a lower interest rate and extend the payment schedule. The total amount of the lease was \$ 1,048,345. Interest is charged at a rate of 5.57%. The lease was paid in full in the current year.

In February of 2009, the County entered into a capital lease to finance the purchase and installation of E-911 public safety equipment. The lease was obtained through United Community Bank and is secured by equipment purchased. The lease was approved for up to \$ 235,000, of which \$ 205,000 had been drawn as of December 31, 2010. Lease payments of \$ 5,927.05 are payable monthly. Interest is charged at a rate of 3.2%.

The annual payments required on the capital leases outstanding at December 31, 2010 are as follows:

Year Ending December 31,	Capital Leases		
	Principal	Interest	Total
2011	50,374	2,401	52,775
2012	47,612	765	48,377
	<u>\$ 97,986</u>	<u>\$ 3,166</u>	<u>\$ 101,152</u>

Long-term compensated absences liability consists of the following as of December 31, 2010:

	Balance 1/1/2010	Issued	Retired	Balance 12/31/2010	Due in One Year
Government Activities					
Compensated Absences	<u>\$ 79,237</u>	<u>\$ 232,491</u>	<u>\$ 178,569</u>	<u>\$ 133,159</u>	<u>\$ 133,159</u>

Note 6 – CONTINGENCIES

There is a contingent liability related to a legal matter involving the claim of a possible property encroachment. The likelihood of a favorable outcome is very remote and the estimated potential liability is at least \$ 32,000 and up to \$ 150,000. We have recognized a \$ 32,000 contingent liability due to this legal matter.

The County is a party to several legal proceedings not mentioned above, which normally occur in governmental operations. As of the date of this financial statement, no awards in these cases have been made against the County. The results of any litigation, however, contain elements of uncertainty, and liability, if any, which might result from these proceedings would not, in the opinion of management, have a material adverse effect on the ability of the County to meet its financial obligations.

The County receives financial assistance from some federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2010.

TOWNS COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

Note 7 – INTERFUND AND COMPONENT UNIT RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at December 31, 2010, consist of the following amounts and represent cash held in the General Fund for the specified Special Revenue Funds:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 44,362
Special Revenue Fund		
Drug Fund	42,757	-
Victims Assistance	1,605	-
	<u>44,362</u>	<u>44,362</u>
Totals	<u>\$ 44,362</u>	<u>\$ 44,362</u>

Interfund transfers from the General Fund to support the operations of the Emergency 911 Center and the Child Development Center, for the year ended December 31, 2010, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Totals</u>
General Fund	\$ -	\$ 389,016	\$ (389,016)
Emergency 911	274,730	-	274,730
Child Development Center	114,286	-	114,286
	<u>389,016</u>	<u>389,016</u>	<u>-</u>
Totals	<u>\$ 389,016</u>	<u>\$ 389,016</u>	<u>\$ -</u>

Supplements paid to Component Unit:

<u>Fund/Component Unit</u>	<u>Paid From</u>	<u>Paid To</u>	<u>Totals</u>
General Fund	\$ 198,328	\$ -	\$ 198,328
Towns County Health Dept.	-	198,328	(198,328)
	<u>198,328</u>	<u>198,328</u>	<u>-</u>
Totals	<u>\$ 198,328</u>	<u>\$ 198,328</u>	<u>\$ -</u>

Note 8 – RETIREMENT PLANS

Defined Contribution Plan

Plan description

Effective April 1, 1999, the County, by signing an adoption agreement, adopted the Towns County Money Purchase Plan, a defined contribution plan sponsored and administered by The Benefit Marketing Group, Inc. This plan allows employees to participate after completing one year of service.

Funding policy

The County contributes ½% of salary as a base contribution. In addition, for each employee who contributes not less than 4.0% of his compensation to the Towns County Public Employee Deferred Compensation Program, the County will contribute 3.5% of that employee's compensation.

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 8 – RETIREMENT PLANS (CONTINUED)

Annual pension cost

The contribution for 2010 was \$ 91,143.

Other plans

In addition to the above mentioned pension plan, the following pension and retirement plans cover County employees, but the County is not legally responsible for contributions to those plans. Other governmental entities are legally responsible for these contributions as well as required disclosures.

Georgia Firefighters Pension Fund

The Georgia Firefighters' Pension Fund is a cost-sharing multiple employer defined benefit pension plan for the purpose of paying retirement benefits to firefighters of the State of Georgia. Any person employed as a firefighter or enrolled as a volunteer firefighter within the State of Georgia is eligible for membership. The County contributes \$ 15 per month for employed and volunteer firefighters to the Georgia Firefighters Pension Fund.

Probate Judges' Retirement Fund of Georgia

The Probate Judge is covered under a pension plan that required that certain sums from marriage licenses and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

Clerk of Superior Court Retirement Fund

The Clerk of Superior Court is covered under a pension plan that requires that certain sums from fees and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

Sheriff's Retirement Fund/Peace Officer's Annuity and Benefit Fund

The Sheriff and Sheriff's Deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures can be remitted by the Probate Judge or Clerk of Superior Court to the pension plans before the payment of any costs or other claims.

Note 9 – GEORGIA MOUNTAIN REGIONAL CENTER

Towns County, in conjunction with other cities and counties in the area are members of the Georgia Mountain Regional Center (GMRC). Membership in the GMRC is automatic for each municipality and county in the state. *The Official Code of Georgia Annotated (OCGA.) Section 50-8-34* (Georgia Planning Act of 1989) provides for the organizational structure of the GMRCs. Each county and municipality in the state is required by law to pay minimum annual dues to the GMRC. The County paid annual dues in the amount of \$12,910 to the GMRC for the year ended December 31, 2010.

The GMRC Board membership includes the chief elected official of each county and municipality of the area. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County.

The Georgia Planning Act of 1989 (*OCGA 50-8-34*) defines the GMRCs as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of such an agency beyond its resources (*OCGA 50-8-39.1*).

Separate financial statements may be obtained from: Georgia Mountain Regional Center, P.O. Box 1720, Gainesville, Georgia 30503-1720.

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COST

The County landfill is exempt from financial assurance requirements per the Georgia Environmental Protection Division. The Solid Waste Management Rule, section 391-3-4-.13(3), states that local government owners and operators of landfills that were taking less than 100 tons per day that ceased receipt of waste by April 8, 1994 are exempt from financial assurance requirement

The landfill closed December 31, 2006 and received a closure certificate on August 5, 2008. The County incurred landfill monitoring costs of \$ 8,125 in the current year.

Note 11 – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

Workers' Compensation

The County participates in the Association County Commissioners of Georgia (ACCG) Group Self Insurance Workers' Compensation Fund (GSTWCF), a self-insured pool cooperative arrangement among its members to finance workers' compensation coverage. The fund is owned by its members and is managed by a seven member Board of Trustees who are representatives from participating counties. The ACCG-GSTWCF operates under the authority of *OCGA 34-9-150 et seq.* and the Georgia Insurance Commissioner's Office.

The members of ACCG-GSTWCF are assessable if the losses that ACCG must pay exceed the assets of the pool. At December 31, 2010, there was no need for such an assessment. Therefore, no liability for this has been included in these financial statements.

As a part of this risk pool, the County is obligated to pay all contributions and assessments to cooperate with the pool's agents and attorney's, to follow loss reduction procedures established by this fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type of loss. The County is also to allow all the pool's agents and attorneys to represent the County in investigations, settlement discussions, and all levels of litigation arising out of any claims made against the County.

The fund is to defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenditures incurred for investigation, negotiation or defense.

Other

The County participates in the Association County Commissioners of Georgia (ACCG) Interlocal Risk Management Agency (IRMA), a risk sharing arrangement among Georgia County Governments. The fund exists by authority of *OCGA 36-85-1 et seq.* Premium liabilities are based on the estimated ultimate cost of settling the claims, including effects of inflation and other society and economic factors. The IRMA Limits of Liability shall not be charged with the first \$ 5,000 of any loss for law enforcement claims. Losses up to \$ 100,000 per individual claim or \$ 1,000,000 for all claims are paid by IRMA. However, excess losses, if any, are covered by reinsurance and would be paid by the reinsurer. The members of IRMA are assessable if the losses that IRMA must pay exceed the assets of the pool. At December 31, 2010, there was no need for such an assessment. Therefore, no liability for incurred but unreported liabilities is needed.

TOWNS COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

Note 11 – RISK MANAGEMENT (CONTINUED)

As a part of this risk pool, the County is obligated to pay all contributions and assessments to cooperate with the pool's agents and attorney's, to follow loss reduction procedures established by this fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type of loss. The County is also to allow all the pool's agents and attorneys to represent the County in investigations, settlements discussions, and all levels of litigation arising out of any claims made against the County.

The fund is defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenditures incurred for investigation, negotiation or defense.

The County also purchases combined automobile, crime, liability and property insurance coverage from the ACCG-IRMA. A \$ 1,000 deductible applies to each claim. The following is a summary of coverage at December 31, 2010:

Property Losses	\$ 5,000,000	Aggregate
Comprehensive General and Law Enforcement Liability	5,000,000	Per Occurrence
Automobile Liability	5,000,000	Per Occurrence
Errors and Omissions	5,000,000	Per Occurrence
	10,000,000	Aggregate
Crime Coverage	150,000	Per Occurrence
Boiler and Machinery	25,000,000	Per Occurrence

The County has no outstanding claims in excess of coverage for which a liability should be recorded as of December 31, 2010. Settled claims in the past four years have not exceeded the coverage.

Note 12 – SIGNIFICANT ESTIMATES

As discussed in Note 1, estimates are used in the preparation of these financial statements. Three estimates qualify as significant estimates in that it is reasonably possible that the estimates will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements. These estimates are as follows:

The estimate for allowance for doubtful accounts related to fines: This estimate is calculated at 35% of the fines due to the County less amounts received in the first 60 days after year end. This estimate will be assessed in future periods and adjusted as necessary based on actual results.

The estimate for allowance for doubtful accounts related to ambulance services: This estimate is calculated at 38.89% based on total insurance adjustments. This estimate will be assessed in futures periods based on insurance adjustments.

The estimate for accumulated depreciation on capital assets: This estimate is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

Note 13 – HOTEL/MOTEL TAX

During the year ended December 31, 2009, the County had receipts of \$ 270,857 based on the tax rate of 5% and spent \$ 270,868 to support the Towns County Tourism Authority as prescribed in an intergovernmental agreement with the Authority. Under *OCGA 48-13-51*, collections over the 3% base are restricted for use to promote tourism, conventions, and trade shows. The Towns County Tourism Authority provides reporting verify compliance with funding restrictions. Restricted funds totaling more than the required \$ 162,514 were used for the specified purpose. The County complied with the requirements of this law.

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 14 – JOINT VENTURES

Towns County participates with Union, Banks and Lumpkin Counties in the North Georgia Waste Management Authority. The Authority studied solid waste disposal issues, developed a plan to recycle waste paper and has leased those facilities to private entities. Towns County has an ongoing financial interest and obligation for funding debt service requirements. The participating counties are annually assessed varying amounts to cover the Authority's inability to service its debt. During the year 2010, Towns County paid \$ 20,935 to the Authority. Financial statements for the Authority are available from the Authority at 624 Green Street, Gainesville, Georgia, 30501.

Note 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2011, the date the financial statements were available to be issued. On January 13, 2011 a \$ 300,000 loan was taken out against a General Fund Certificate to purchase a 75-foot ladder truck and fire hydrants to be repaid with Special Purpose Local Option Sales Tax funds. The loan is due December 31, 2011. The County will receive a .30% interest in the Certificate of Deposit from the Bank and the County will pay 1.3% resulting in a net cost to the County of 1% of the loan.

On March 15, 2011, the voters passed a 1% Special Purpose Local Option Sales Tax to be imposed in Towns County for a period of time not to exceed 6 years for the raising of an estimated \$ 12,700,000 for the purpose of funding the acquisition, construction, and equipping of the following capital outlay projects within Towns County: for Towns County, parks and recreation improvements including the acquisition, construction and equipping of a multi-purpose recreational/community building, road and bridge purposes, which purposes may include pedestrian cross-walks, parking and capital equipment therefore; fire department vehicles, equipment, facilities, fire hydrants, and; construction and improvements to the public library, water and sewer improvements including solid waste, storm water management, and equipment therefore; ambulances, and other public safety vehicles and equipment; and industrial and economic development improvement to include infrastructure and possible land acquisition.

For the City of Hiawassee, the 1% Special Purpose Option Sales Tax will be used for parks and recreation improvements including the acquisition, construction and equipping of a park and buildings, equipment and related facilities; road, street, and bridge purposes, which purposes may include sidewalks, bicycle paths, pedestrian cross-walks and turn lanes, and capital equipment related thereto; fire hydrants and improved fire protection facilities and water lines and equipment related thereto; construction and improvements to the Hiawassee Water Treatment Plant and water treatment facilities including water storage; Hiawassee Sewer Plant and sewer treatment facilities, and industrial and economic development projects for downtown development including renovation of the Hiawassee City Square.

For the City of Young Harris, the 1% Special Purpose Option Sales Tax will be used for parks and recreation improvements; road, street, and bridge purposes, which purposes may include sidewalks, bicycle paths, pedestrian cross-walks, and capital equipment therefore; and water and sewer improvements including fire hydrants, solid waste, storm water management and equipment.

The tax will be imposed beginning July 1, 2011 or the earliest date authorized by law.

The voters adopted a bond resolution and a bond placement agreement was signed for the issuance of Towns County General Obligation Sales Tax Bond Series 2011 with a principal amount of \$ 6,200,000 for the capital outlay projects described above. The bond has a fixed interest rate of 2.35%. The bond provides for the pledge of special sales tax proceeds for the payment of the bond, for the collection of the special sales tax, for the placement and sale of the bond and to declare and official intent to reimburse certain costs from proceeds.

The estimated special purpose sales and use tax revenue shall be divided between and among Towns County, the City of Hiawassee and the City of Young Harris in accordance with an Intergovernmental Agreement which is on file in the office of the County Clerk of the Commissioner of Towns County.

TOWNS COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,660,500	\$ 7,660,500	\$ 8,379,293	\$ 718,793
Licenses and permits	34,000	34,000	93,818	59,818
Fines and forfeitures	277,500	277,500	305,795	28,295
Charges for services	1,027,000	1,027,000	1,298,990	271,990
Interest income	75,000	75,000	64,740	(10,260)
Intergovernmental	206,589	500,589	474,835	(25,754)
Contributions and donations	6,300	6,300	29,729	23,429
Other	88,005	88,005	131,544	43,539
TOTAL REVENUES	9,374,894	9,668,894	10,778,744	1,109,850
EXPENDITURES				
General Government				
General and administrative	685,009	1,387,559	1,386,694	865
Commissioner	115,500	102,500	98,320	4,180
Tax commissioner	237,150	247,150	241,111	6,039
Tax assessor	199,350	234,350	213,783	20,567
Election	58,400	87,400	86,388	1,012
Total General Government	1,295,409	2,058,959	2,026,296	32,663
Public Safety				
Regional expenditures	130,570	145,070	134,284	10,786
Sheriff	1,107,512	1,511,512	1,450,933	60,579
Jail	244,240	710,940	710,583	357
Jail operation	900,000	814,000	787,847	26,153
Fire department	410,720	430,720	409,436	21,284
Ambulance service	987,690	947,690	943,272	4,418
E.M.A. director	54,015	54,015	53,930	85
E-911 Mapping	89,935	94,935	93,925	1,010
Total Public Safety	3,924,682	4,708,882	4,584,210	124,672
Court System				
Probate/Magistrate court	245,850	195,850	188,829	7,021
Clerk of court	214,850	194,850	182,586	12,264
Court - other	381,524	211,524	206,371	5,153
District attorney	59,450	71,950	68,971	2,979
Total Court System	901,674	674,174	646,757	27,417

TOWNS COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE (CONTINUED)
 GENERAL FUND
 For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works				
Road department	921,600	771,100	770,585	515
Transfer Station/Landfill	561,300	446,300	445,573	727
Recycling	25,800	19,300	18,446	854
Total Public Works	<u>1,508,700</u>	<u>1,236,700</u>	<u>1,234,604</u>	<u>2,096</u>
Health and Welfare				
Regional expenditures	305,634	381,634	375,980	5,654
Extension service	21,700	22,500	22,420	80
Transportation service	89,406	69,406	65,972	3,434
Total Health and Welfare	<u>416,740</u>	<u>473,540</u>	<u>464,372</u>	<u>9,168</u>
Recreation and Culture				
Regional expenditures	178,000	149,250	146,088	3,162
Recreation department	307,400	277,400	273,687	3,713
Chatuge campground	70,800	83,800	81,295	2,505
Total Recreation and Culture	<u>556,200</u>	<u>510,450</u>	<u>501,070</u>	<u>9,380</u>
Housing and Development				
Regional expenditures	78,500	84,500	84,495	5
Building inspection	74,900	71,900	68,538	3,362
Planning and zoning	37,500	18,500	17,188	1,312
Total Housing and Development	<u>190,900</u>	<u>174,900</u>	<u>170,221</u>	<u>4,679</u>
TOTAL EXPENDITURES	<u>8,794,305</u>	<u>9,837,605</u>	<u>9,627,530</u>	<u>210,076</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	580,589	(168,711)	1,151,214	
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	7,299	
Transfers in / (out)	(390,000)	(390,000)	(389,016)	
Contingencies / surplus reserves	(190,589)	558,711	-	
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>769,497</u>	
			<u>2,904,104</u>	
			<u>\$ 3,673,601</u>	

TOWNS COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2010

NOTE 1 – BUDGETARY BASIS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The County does not formally use encumbrance accounting.

All department heads of the government submit requests for appropriation to the government's sole commissioner so that a budget may be prepared. The budget is prepared by fund, function and activity, and line item, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The government's sole commissioner holds public hearings and may add to, subtract from, or change appropriations. The commissioner may amend the line item budget within a department's appropriation. However, expenditures may not legally exceed budgeted appropriations at the department level which is the legal level of control.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

During the current year all functions of the County operated within budgeted appropriations.

TOWNS COUNTY, GEORGIA
 COMBINING STATEMENT OF NET ASSETS
 AGENCY FUNDS
 December 31, 2010

	<u>Tax Commissioner</u>	<u>Clerk of Superior Court</u>	<u>Probate Court</u>	<u>Magistrate Court</u>
ASSETS				
Cash	<u>\$ 12,580</u>	<u>\$ 24,061</u>	<u>\$ 9,132</u>	<u>\$ 2,314</u>
TOTAL ASSETS	<u><u>\$ 12,580</u></u>	<u><u>\$ 24,061</u></u>	<u><u>\$ 9,132</u></u>	<u><u>\$ 2,314</u></u>
LIABILITIES				
Funds held in trust	<u>\$ 12,580</u>	<u>\$ 24,061</u>	<u>\$ 9,132</u>	<u>\$ 2,314</u>
TOTAL LIABILITIES	<u><u>\$ 12,580</u></u>	<u><u>\$ 24,061</u></u>	<u><u>\$ 9,132</u></u>	<u><u>\$ 2,314</u></u>

TOWNS COUNTY, GEORGIA
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
December 31, 2010

<u>Sheriff</u>	<u>Total</u>
<u>\$ 46,333</u>	<u>\$ 94,420</u>
<u>\$ 46,333</u>	<u>\$ 94,420</u>
<u>\$ 46,333</u>	<u>\$ 94,420</u>
<u>\$ 46,333</u>	<u>\$ 94,420</u>

TOWNS COUNTY, GEORGIA
 COMBINING STATEMENT OF CHANGES IN NET ASSETS
 AGENCY FUNDS
 For the Year Ended December 31, 2010

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	<u>\$ 218,883</u>	<u>\$ 6,368,245</u>	<u>\$ 6,492,708</u>	<u>\$ 94,420</u>
TOTAL ASSETS	<u>\$ 218,883</u>	<u>\$ 6,368,245</u>	<u>\$ 6,492,708</u>	<u>\$ 94,420</u>
LIABILITIES				
Funds held in trust	<u>\$ 218,883</u>	<u>\$ 6,368,245</u>	<u>\$ 6,492,708</u>	<u>\$ 94,420</u>
TOTAL LIABILITIES	<u>\$ 218,883</u>	<u>\$ 6,368,245</u>	<u>\$ 6,492,708</u>	<u>\$ 94,420</u>

TOWNS COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2010

	<u>Child Development Center</u>	<u>Emergency 911</u>	<u>Law Library</u>	<u>Drug Fund</u>
ASSETS				
Cash and cash equivalents	\$ 19,310	\$ 12,240	\$ 18,291	\$ -
Receivables, net	4,915	42,857	-	-
Intergovernmental	9,380	-	-	-
Due from other funds	-	-	-	42,757
Prepaid expense	-	20,712	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 33,605</u></u>	<u><u>\$ 75,809</u></u>	<u><u>\$ 18,291</u></u>	<u><u>\$ 42,757</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	12,391	122	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>12,391</u>	<u>122</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Restricted:				
Special revenue funds	<u>21,214</u>	<u>75,687</u>	<u>18,291</u>	<u>42,757</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>21,214</u>	<u>75,687</u>	<u>18,291</u>	<u>42,757</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 33,605</u></u>	<u><u>\$ 75,809</u></u>	<u><u>\$ 18,291</u></u>	<u><u>\$ 42,757</u></u>

TOWNS COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2010

Victim's Assistance Fund	Jail Fund	Hotel / Motel Tax Fund	Total
\$ -	\$ -	\$ 3,652	\$ 53,493
-	-	-	47,772
-	-	-	9,380
1,605	-	-	44,362
-	-	-	20,712
<u>\$ 1,605</u>	<u>\$ -</u>	<u>\$ 3,652</u>	<u>\$ 175,719</u>
\$ -	\$ -	\$ 3,652	\$ 3,652
-	-	-	12,513
-	-	3,652	16,165
<u>1,605</u>	<u>-</u>	<u>-</u>	<u>159,554</u>
<u>1,605</u>	<u>-</u>	<u>-</u>	<u>159,554</u>
<u>\$ 1,605</u>	<u>\$ -</u>	<u>\$ 3,652</u>	<u>\$ 175,719</u>

TOWNS COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2010

	Child Development Center	Emergency 911	Law Library	Drug Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	6,535	24,594
Charges for services	219,764	201,775	-	-
Interest income	33	81	-	-
Intergovernmental	100,997	-	-	-
TOTAL REVENUES	<u>\$ 320,794</u>	<u>\$ 201,856</u>	<u>\$ 6,535</u>	<u>\$ 24,594</u>
EXPENDITURES				
Current Operating				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	399,270	-	2,305
Court system	-	-	9,435	-
Public works	-	-	-	-
Health and welfare	422,086	-	-	-
Housing and development	-	-	-	-
Capital Outlay	-	-	-	29,800
Debt Service				
Principal	-	67,577	-	-
Interest	-	3,669	-	-
TOTAL EXPENDITURES	<u>422,086</u>	<u>470,516</u>	<u>9,435</u>	<u>32,105</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(101,292)</u>	<u>(268,660)</u>	<u>(2,900)</u>	<u>(7,511)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from financing	-	35,000	-	-
Transfers in (out)	114,286	274,730	-	-
TOTAL OTHER FINANCING SOURCES	<u>114,286</u>	<u>309,730</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	12,994	41,070	(2,900)	(7,511)
FUND BALANCE, BEGINNING	<u>8,220</u>	<u>34,617</u>	<u>21,191</u>	<u>50,268</u>
FUND BALANCE, ENDING	<u>\$ 21,214</u>	<u>\$ 75,687</u>	<u>\$ 18,291</u>	<u>\$ 42,757</u>

TOWNS COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2010

Victim's Assistance Fund	Jail Fund	Hotel / Motel Tax Fund	Total
\$ -	\$ -	\$ 270,857	\$ 270,857
11,082	18,239	-	60,450
-	-	-	421,539
-	-	11	125
-	-	-	100,997
<u>\$ 11,082</u>	<u>\$ 18,239</u>	<u>\$ 270,868</u>	<u>\$ 853,968</u>
\$ -	\$ -	\$ -	\$ -
-	18,239	-	419,814
11,018	-	-	20,453
-	-	-	-
-	-	-	422,086
-	-	270,868	270,868
-	-	-	29,800
-	-	-	67,577
-	-	-	3,669
<u>11,018</u>	<u>18,239</u>	<u>270,868</u>	<u>1,234,267</u>
<u>64</u>	<u>-</u>	<u>-</u>	<u>(380,299)</u>
-	-	-	35,000
-	-	-	389,016
-	-	-	424,016
64	-	-	43,717
<u>1,541</u>	<u>-</u>	<u>-</u>	<u>115,837</u>
<u>\$ 1,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,554</u>

June 20, 2011

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER RELATED MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Commissioner
Towns County, Georgia
Hiawassee, Georgia

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Towns County, Georgia, as of and for the year ended December 31, 2010, which collectively comprise Towns County, Georgia's basic financial statements, and have issued our report thereon dated June 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of Towns County Health Department, those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included are based on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Towns County, Georgia's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town County, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Towns County, Georgia's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect or correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Towns County, Georgia's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit

Towns County, Georgia
Page 36
June 20, 2011

and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Towns County, Georgia in a separate letter dated June 20, 2011.

The County's response to the findings identified in our audit is described in a separate response letter as referenced in the accompanying schedule of findings and responses. We did not audit Towns County's response and, accordingly, we express no opinion.

This report is intended solely for the information and use of management, specified legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Arthur, Arthur & Boyer, CPA". The signature is written in a cursive style.

June 23, 2011

INDEPENDENT ACCOUNTANT'S REPORT

We have examined management's assertion included in the accompanying Annual Report of 9-1-1 Collections and Expenditures about Towns County, Georgia's compliance during the fiscal year ended December 31, 2010 with the requirement to expend 9-1-1 funds in compliance with the expenditure requirements of the Official Code of Georgia Annotated, Section 46-5-134. Management is responsible for Towns County, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about Towns County, Georgia's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Towns County, Georgia's compliance with this requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Towns County, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that Towns County, Georgia complied with the aforementioned requirement during the fiscal year ended December 31, 2010 is fairly stated, in all material respects.

This report is intended solely for the information and use of management and the Georgia Department of Audits and Accounts and is not intended to be and should not be used by anyone other than the specified parties.

Alexander, Almand + Bangs, LLP

TOWNS COUNTY, GA

Annual Report of 9-1-1 Collections and Expenditures

For the Year Ended
December 31, 2010

Line No.	O.C.G.A. Reference		
1		Indicate UCOA Fund Type Used to Account for 9-1-1 Activity (choose one): <u> X </u> Special Revenue Fund <u> </u> Enterprise Fund	
2	46-3-134(a)(1)	Monthly 9-1-1 charge billed to each exchange access facility subscriber:	\$ <u>1.50</u>
3		Total revenue from exchange access facility subscribers:	\$ <u>120,998</u>
4		Does 9-1-1 system provide automatic number identification of a wireless telecommunications connection? (choose one) <u> X </u> Yes <u> </u> No	
5		If the answer to Line 4 is "yes", indicate below which of the following apply (choose one): <u> </u> System provides location of base station or cell site <u> X </u> System provides automatic location identification	
6	46-3-134(a)(2)	If the answer to Line 4 is "yes", identify the monthly 9-1-1 charge billed to each wireless telecommunications connection subscriber:	\$ <u>1.00</u>
7		Total revenue from wireless telecommunications connection subscribers:	\$ <u>80,772</u>
8		Total Line 3 plus Line 7 (should equal UCOA Revenue Source 34.2500)	\$ <u>201,770</u>
9		Additional revenue sources:	
9a	46-3-134(j)	Federal (UCOA Revenue Source 33.1000) Identify each funding agency individually. Attach list, if necessary.	\$ _____ \$ _____
9b	46-3-134(j)	State (UCOA Revenue Source 33.4000) Identify each funding agency individually. Attach list, if necessary.	\$ _____ \$ _____
9c	46-3-134(j)	Local (UCOA Revenue Source 33.6000) Identify each unit of local government individually. Attach list, if necessary.	\$ _____ \$ _____
9d	46-3-134(j)	Private (UCOA Revenue Source 37.1000) Identify each private source individually. Attach list, if necessary.	\$ _____ \$ _____

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For the Year Ended
December 31, 2010

Line No.	O.C.G.A. Reference	
10		Investment Income (UCOA Revenue Source 36.1000 through 36.3000) \$ <u>81</u>
11		Other revenue sources not included above. Identify each source individually. Transfers from other funds of the local government should be reported on Line 25 and not included here.
		<u>MISCELLANEOUS INCOME</u> \$ <u>5</u>
		_____ \$ _____
		_____ \$ _____
		_____ \$ _____
		_____ \$ _____
		_____ \$ _____
		_____ \$ _____
		_____ \$ _____
12		Total Revenues (total of all amounts reported on Lines 8 through 11) \$ <u>201,856</u>
		Expenditures (UCOA Activity 3800)
13	46-5-134(e)	Wireless service supplier cost recovery charges (identify each supplier individually on lines below - attach list, if necessary) \$ _____
		_____ \$ _____
		_____ \$ _____
14		Emergency telephone equipment, including necessary computer hardware, software, and data base provisioning, addressing, and nonrecurring costs of establishing a 9-1-1 system:
14a	46-5-134(b)(1)	Lease costs \$ _____
14b	46-5-134(b)(2)	Purchase costs \$ _____
14c	46-5-134(b)(3)	Maintenance costs \$ _____
15	46-5-134(b)(2)	Rates associated with the service suppliers 9-1-1 service and other service suppliers recurring charges \$ _____
16		Employees hired by the local government solely for the operation and maintenance of the emergency 9-1-1 system: Number of employees classified as: Full time _____ Part time _____
16a	46-5-134(f)(3)	Salaries and wages \$ <u>246,769</u>
16b	46-5-134(f)(3)	Employee benefits \$ <u>46,935</u>

TOWNS COUNTY, GA

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For the Year Ended
December 31, 2010

Line No.	OCGA Reference	
17	46-5-134(1)	Cost of training of employees who work as dispatchers \$ 439
18	46-5-134(4)	Office supplies of the public safety answering points used directly in providing emergency 9-1-1 system services \$ 962
19a		Building used as a public safety answering point:
19a1	46-5-134(5)	Lease costs \$
19a2	46-5-134(5)	Purchase costs \$
19b	46-5-134(5)	Has the local government completed its street addressing plan? (choose one) \$
		___ Yes ___ No
20		Computer hardware and software used at a public safety answering point, including computer assisted dispatch systems:
20a	46-5-134(5)	Lease costs \$ 71,246
20b	46-5-134(5)	Purchase costs \$
20c	46-5-134(5)	Maintenance costs \$
21	46-5-134(7)	Supplies directly related to providing emergency 9-1-1 system services, including the cost of printing emergency 9-1-1 public education materials \$
22		Logging recorders used at a public safety answering point to record telephone and radio traffic:
22a	46-5-134(8)	Lease costs \$
22b	46-5-134(8)	Purchase costs \$
22c	46-5-134(8)	Maintenance costs \$
23		Other expenditures not included in Lines 13 through 22 above. Identify by object and purpose. Transfers to other funds of the local government should be reported on Line 26 and not included here.
		<u>BUILDING MAINTENANCE EXPENDITURES</u> \$ 2,017
		<u>TELEPHONE EXPENDITURES</u> \$ 65,860
		<u>OFFICE EXPENDITURES</u> \$ 8,415
		<u>RADIO AND MAPPING EXPENDITURES</u> \$ 2,129
		<u>UTILITIES EXPENDITURES</u> \$ 11,873
		<u>EQUIPMENT MAINTENANCE EXPENDITURES</u> \$ 13,806
		<u>MISCELLANEOUS EXPENDITURES</u> \$ 65
24		Total Expenditures (total of all amounts reported on Lines 13 through 23 above) \$ 470,316

TOWNS COUNTY, GA

Annual Report of 9-1-1 Collections and Expenditures

For the Year Ended
December 31, 2010

Line No.		
25		Transfers From Other Funds (identify by fund)
		<u>TOWNS COUNTY GENERAL FUND</u> \$ <u>274,730</u>
		_____ \$ _____
26		Transfers To Other Funds (identify by fund)
		_____ \$ _____
		_____ \$ _____
27		Proceeds from Capital Lease (identify by asset class and, if equipment, purpose)
		<u>PROCEEDS FROM CAPITAL LEASE FOR PHONE SYSTEM</u> \$ <u>35,000</u>
		_____ \$ _____
28		Net Change in Fund Balance (Line 12 - Line 24 + Line 25 - Line 26 + Line 27) \$ <u>41,070</u>
29		Fund Balance - Beginning of Year \$ <u>34,617</u>
30		Fund Balance - End of Year \$ <u>75,687</u>

31a Do amounts on Lines 12, 24, 28, 29, and 30 agree to amounts reported in the government's audited financial statements submitted to the Georgia Department of Audits and Accounts?

Yes No

31b If the answer to Line 31a is "no", provide explanation (including amounts) to reconcile each line item specified in Line 31a above to government's audited financial statements. Reconciliation should be attached to this report.

Certification of Local Government Officials

I have reviewed the information presented in this report and certify that it is accurate and correct. I further certify that the 9-1-1 funds were expended in compliance with the expenditure requirements specified in the Official Code of Georgia Annotated (OCGA), Section 46-5-134. I understand that, in accordance with OCGA Section 46-5-134(m)(2), my local government which makes expenditures not in compliance with this Code section may be held liable for pro rata reimbursement to telephone and wireless telecommunications subscribers of amounts improperly expended. Further, the noncompliant local government shall be solely financially responsible for the reimbursement and for any costs associated with the reimbursement. Such reimbursement shall be accomplished by service providers abating the imposition of the 9-1-1 charges and 9-1-1 wireless enhanced charges until such abatement equals the total amount of the rebate.

Signature of Chief Elected Official Bill Kendall Date 6/23/2011

Print Name of Chief Elected Official Bill Kendall

Title of Chief Elected Official Commissioner

Signature of Chief Financial Officer Andrea Anderson Date 6/23/11

Print Name of Chief Financial Officer Andrea Anderson