

TOWNS COUNTY, GEORGIA
HIAWASSEE, GEORGIA

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL MATERIAL

FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008

TOWNS COUNTY, GEORGIA
FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008

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TOWNS COUNTY, GEORGIA
FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008

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July 22, 2010

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, 2009, 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 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, 2008, dated December 28, 2009, from which the summarized information was derived. We did not audit the financial statements of the Towns County Health Department. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it is related to the amounts included for the Health Department, is based solely 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. 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, 2009, 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 July 22, 2010, 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.

The management's discussion and analysis on pages 3 through 7, and budgetary comparison information on pages 27 through 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, 2009, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Alexander, Ahmad & Associates, LLC

Towns County, Georgia
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008

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 \$ 14,588,883 (net assets).
- The government's total net assets increased \$ 1,404,833 for the current year, a 10.6% 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, reductions in real estate transfer taxes, sales taxes, beer and wine taxes, and most other revenue sources by implementation of a hiring freeze, budget cuts, and an increase in the millage rate.
- The general fund reported a \$ 1,076,523 gain due to factors indicated above.
- All County general funds are in interest bearing bank accounts, earning \$ 96,903 in additional funds for the 2008 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, 2009 and 2008

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, 2009 and 2008 respectively, the County's assets exceeded liabilities by \$ 14,588,883 and \$ 13,184,050. 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, 2009 and 2008

	Governmental Activities	
	2009	2008
Current and other assets	\$ 9,512,746	\$ 8,238,584
Capital assets	11,816,547	11,816,153
Total assets	21,329,293	20,054,737
Long-term liabilities outstanding	518,349	665,212
Other liabilities	6,222,061	6,205,475
Total liabilities	6,740,410	6,870,687
Net assets:		
Invested in capital assets, net of related debt	11,020,706	10,868,847
Restricted	115,837	211,683
Unrestricted	3,452,340	2,103,520
Total net assets	\$ 14,588,883	\$ 13,184,050

Towns County, Georgia
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008

Changes in Net Assets

The County's total revenues before transfers for fiscal year ended December 31, 2009 totaled \$ 10,829,562. Expenditures were \$ 9,424,729 with an overall change in net assets of \$ 1,404,833.

Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 2,041,552	\$ 2,018,615
Operating grants and contributions	449,271	202,977
Capital grants and contributions	-	5,880
General revenues:		
Property taxes	5,897,943	4,536,804
Sales tax	1,471,427	1,562,200
Other taxes	1,045,309	1,177,518
Unrestricted investment earnings	96,903	128,910
Miscellaneous	22,279	16,678
Gain (Loss) on sale of capital assets	(195,122)	(1,012)
Total Revenues	<u>10,829,562</u>	<u>9,648,570</u>
Expenditures:		
General government	1,190,238	1,450,539
Public safety	4,340,883	4,562,870
Court system	815,694	890,317
Health and welfare	917,193	968,147
Recreation and culture	557,409	588,231
Public works	1,148,301	1,299,203
Housing and development	403,112	385,886
Interest on long-term debt	51,899	66,697
Total Expenditures	<u>9,424,729</u>	<u>10,211,890</u>
Increase in net assets before transfers	1,404,833	(563,320)
Transfers	-	-
Change in net assets	1,404,833	(563,320)
Net assets, January 1	13,184,050	13,805,450
Prior period adjustment	-	(58,080)
Net assets, January 1, restated	13,184,050	13,747,370
Net assets, December 31	<u>\$ 14,588,883</u>	<u>\$ 13,184,050</u>

Towns County, Georgia
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008

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, 2009, the General Fund had assets of \$ 9,437,297 and liabilities of \$ 6,533,193.

The budget for the General Fund decreased by \$ 84,854 from fiscal year 2008 to fiscal year 2009.

CAPITAL ASSETS ACTIVITY

During fiscal year 2009, the County's investment in capital assets grew \$55,782 net. The County spent \$915,216 in capital outlay and booked \$ 719,699 in depreciation for its governmental activities. The County disposed of capital assets totaling \$ 876,693 which created a loss of \$ 195,122. Further detail on capital assets is provided in the notes to the financial statements.

	<u>Governmental Activities</u>
Land (not depreciated)	3,807,616
Land Improvements	260,551
Buildings and Improvements	7,448,464
Vehicles, Machinery, Equipment	4,880,136
Infrastructure	492,915
Total	<u>\$ 16,889,682</u>

LONG-TERM DEBT

The County was liable for long-term capital lease obligations totaling \$ 795,841 and \$ 947,306 at December 31, 2009 and 2008, respectively.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues of \$ 9,930,971 exceeded budgeted revenues of 9,458,894 in 2009. The current year gain is attributed to several factors: implementation of hiring freeze, budget cuts, and an increase in the millage rate.

General Fund expenditures (before transfers) were less than budgeted. With total appropriations of \$ 9,458,894, and budgeted expenditures before transfers of \$9,074,054, the County actually spent \$ 8,454,109 or \$ 619,945 less than budgeted, for the year ending December 31, 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, if necessary, and to request budget amendments to correct the same.

Towns County, Georgia
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008

The budget for the general fund for 2010 is \$ 9,428,055, which is an increase of 1.34% over the original budget from the previous year. All increase was in the emergency capital expenditures line. 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, 2009 and 2008

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES		June 30, 2009 COMPONENT UNIT HEALTH DEPARTMENT
	2009	2008	
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 5,329,880	\$ 2,843,377	\$ 177,464
Receivables, net of uncollectibles	4,107,919	5,339,660	14,823
Prepaid Items	74,947	55,547	-
Total Current Assets	9,512,746	8,238,584	192,287
Capital Assets			
Capital assets not being depreciated:			
Land	3,807,616	3,807,616	-
Capital assets being depreciated:			
Land improvements, depreciable	260,551	260,551	-
Buildings and improvements	7,472,690	7,448,464	-
Furniture and equipment	1,639,897	1,336,147	-
Vehicles and heavy equipment	3,281,794	3,543,989	-
Infrastructure	492,915	492,915	-
Less: accumulated depreciation	(5,138,916)	(5,073,529)	-
Capital Assets, net of depreciation	11,816,547	11,816,153	-
TOTAL ASSETS	\$ 21,329,293	\$ 20,054,737	\$ 192,287

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

TOWNS COUNTY, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2009 and 2008

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES		June 30, 2009 COMPONENT UNIT HEALTH DEPARTMENT
	2009	2008	
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 91,300	\$ 122,748	\$ 5,943
Accrued liabilities	168,417	173,258	-
Contingent liabilities	32,000	32,000	-
Unearned revenues	5,573,615	5,491,844	-
Compensated absences	79,237	103,531	35,000
Capital lease payable	277,492	282,094	-
	<u>6,222,061</u>	<u>6,205,475</u>	<u>40,943</u>
Total Current Liabilities			
Noncurrent liabilities			
Compensated absences	-	-	28,814
Capital lease payable	518,349	665,212	-
	<u>518,349</u>	<u>665,212</u>	<u>28,814</u>
Total Noncurrent Liabilities			
	<u>6,740,410</u>	<u>6,870,687</u>	<u>69,757</u>
TOTAL LIABILITIES			
NET ASSETS			
Invested in capital assets, net of related debt	11,020,706	10,868,847	-
Restricted for special revenue funds	115,837	211,683	-
Unrestricted	3,452,340	2,103,520	122,530
	<u>\$ 14,588,883</u>	<u>\$ 13,184,050</u>	<u>\$ 122,530</u>
TOTAL NET ASSETS			

TOWNS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009 and 2008

	<u>Expenditures</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 1,190,238	\$ 30,313	\$ 30,188	\$ -
Public safety	4,340,883	595,206	102,599	-
Court system	815,694	582,057	106,243	-
Health and welfare	917,193	148,424	207,766	-
Recreation and culture	557,409	217,443	2,475	-
Public works	1,148,301	412,402	-	-
Housing and development	403,112	55,707	-	-
Interest and paying agent fees	51,899	-	-	-
Total Primary Government	<u>\$ 9,424,729</u>	<u>\$ 2,041,552</u>	<u>\$ 449,271</u>	<u>\$ -</u>
Component Units:				
Towns County Health Department	\$ 574,755	\$ 190,178	\$ 292,504	\$ -
Total Component Units	<u>\$ 574,755</u>	<u>\$ 190,178</u>	<u>\$ 292,504</u>	<u>\$ -</u>

GENERAL REVENUES:

Property taxes
Sales taxes
Other taxes
Unrestricted investment earnings
Miscellaneous
Total general revenues

OTHER FINANCING SOURCES (USES)

Gain (Loss) on Sale of Capital Assets
Total General Revenues & Other Financing Sources

CHANGE IN NET ASSETS

NET ASSETS - Beginning, as previously reported
Prior period adjustment - Note 15

NET ASSETS, BEGINNING, adjusted

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, 2009 and 2008

Net (Expenditure) Revenue and Changes in Net Assets		June 30, 2009
Primary Government		Component Unit
Governmental Activities	2008 Totals	Towns County Health Dept.
\$ (1,129,737)	\$ (1,339,932)	
(3,643,078)	(3,782,168)	
(127,394)	(753,525)	
(561,003)	(581,376)	
(337,491)	(379,697)	
(735,899)	(767,850)	
(347,405)	(313,173)	
(51,899)	(66,697)	
<u>\$ (6,933,906)</u>	<u>\$ (7,984,418)</u>	
		<u>\$ (92,073)</u>
		<u>\$ (92,073)</u>
\$ 5,897,943	\$ 4,536,804	-
1,471,427	1,562,200	-
1,045,309	1,177,518	-
96,903	128,910	-
22,279	16,678	1,778
8,533,861	7,422,110	1,778
(195,122)	(1,012)	-
<u>8,338,739</u>	<u>7,421,098</u>	<u>1,778</u>
1,404,833	(563,320)	(90,295)
13,184,050	13,805,450	320,229
-	(58,080)	-
<u>13,184,050</u>	<u>13,747,370</u>	<u>212,825</u>
<u>\$ 14,588,883</u>	<u>\$ 13,184,050</u>	<u>\$ 122,530</u>

TOWNS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009 and 2008

	General	Other Nonmajor Governmental Funds	Total Governmental Funds	Total Prior Year Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,297,333	\$ 32,547	\$ 5,329,880	\$ 2,843,377
Receivables, net	4,065,017	42,902	4,107,919	5,339,660
Due from other funds	-	51,809	51,809	32,009
Prepaid items	74,947	-	74,947	55,547
TOTAL ASSETS	<u>\$ 9,437,297</u>	<u>\$ 127,258</u>	<u>\$ 9,564,555</u>	<u>\$ 8,270,593</u>
LIABILITIES				
Accounts payable	\$ 91,022	\$ 278	\$ 91,300	\$ 122,748
Accrued liabilities	157,274	11,143	168,417	173,258
Contingent liabilities	32,000	-	32,000	32,000
Deferred revenues	6,201,088	-	6,201,088	5,871,314
Due to other funds	51,809	-	51,809	32,009
Total liabilities	<u>6,533,193</u>	<u>11,421</u>	<u>6,544,614</u>	<u>6,231,329</u>
FUND BALANCE				
Reserved for:				
Prepaid items	74,947	-	74,947	55,547
Unreserved, reported in:				
General fund	2,829,157	-	2,829,157	1,772,034
Special revenue funds	-	115,837	115,837	211,683
Total fund balances	<u>2,904,104</u>	<u>115,837</u>	<u>3,019,941</u>	<u>2,039,264</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,437,297</u>	<u>\$ 127,258</u>	<u>\$ 9,564,555</u>	<u>\$ 8,270,593</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, 2009 and 2008

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

	2009	2008
Fund balance - total government funds	\$ 3,019,941	\$ 2,039,264
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	11,816,547	11,816,153
Revenues in the Statement of Activities that do not provide current financial resources are reported as deferred revenues in the funds.	627,473	379,470
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(79,237)	
Capital lease payables	(795,841)	(1,050,837)
	\$ 14,588,883	\$ 13,184,050

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, 2009 and 2008

	General	Other Nonmajor Governmental Funds	Total Governmental Funds	Total Prior Year Governmental Funds
REVENUES				
Taxes	\$ 8,070,809	\$ 246,851	\$ 8,317,660	\$ 7,217,566
Licenses and permits	55,707	-	55,707	72,713
Fines and forfeitures	347,096	66,799	413,895	386,272
Charges for services	1,063,574	357,392	1,420,966	1,645,940
Interest income	96,536	367	96,903	128,910
Intergovernmental	135,796	174,302	310,098	236,415
Contributions and donations	18,584	-	18,584	61,799
Other	142,869	-	142,869	109,345
TOTAL REVENUES	<u>\$ 9,930,971</u>	<u>\$ 845,711</u>	<u>\$ 10,776,682</u>	<u>\$ 9,858,960</u>
EXPENDITURES				
Current Operating				
General government	\$ 1,174,344	\$ -	\$ 1,174,344	\$ 1,398,414
Public safety	3,553,839	438,983	3,992,822	4,176,587
Court system	722,057	23,289	745,346	873,404
Public works	977,788	-	977,788	1,161,625
Health and welfare	454,850	423,805	878,655	929,819
Recreation and culture	491,939	-	491,939	508,920
Housing and development	155,589	246,857	402,446	381,751
Landfill Closure	13,975	-	13,975	10,727
Capital Outlay	578,603	336,613	915,216	767,470
Debt Service: Principal	282,140	39,437	321,577	265,149
Debt Service: Interest	49,706	2,191	51,897	66,697
TOTAL EXPENDITURES	<u>8,454,830</u>	<u>1,511,175</u>	<u>9,966,005</u>	<u>10,540,563</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,476,141</u>	<u>(665,464)</u>	<u>810,677</u>	<u>(681,603)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from financing	-	170,000	170,000	-
Transfers in (out)	(399,618)	399,618	-	-
TOTAL OTHER FINANCING SOURCES	<u>(399,618)</u>	<u>569,618</u>	<u>170,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,076,523	(95,846)	980,677	(681,603)
FUND BALANCE, BEGINNING	<u>1,827,581</u>	<u>211,683</u>	<u>2,039,264</u>	<u>2,720,867</u>
FUND BALANCE, ENDING	<u>\$ 2,904,104</u>	<u>\$ 115,837</u>	<u>\$ 3,019,941</u>	<u>\$ 2,039,264</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, 2009 and 2008

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

	<u>2009</u>	<u>2008</u>
Net change in fund balances	\$ 980,677	\$ (681,603)
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:		
Capital outlay	915,216	
Depreciation expense	<u>(719,699)</u>	108,976
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.	24,180	(45,449)
Some governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental activities.		
Property Taxes	476,489	
Fines	<u>150,984</u>	379,469
Revenues reported in the funds that relate to prior years are not reported as revenues in the statement of activities.	(379,469)	(588,849)
Capital assets that were junked had a gain (loss) not reported in the governmental funds.	(195,122)	(1,012)
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.	321,577	265,149
Revenues reported as proceeds from financing on fund statements are shown as an increase in long term liabilities in the Statement of Net Assets.	(170,000)	-
Rounding	<u>-</u>	<u>(1)</u>
	<u>\$ 1,404,833</u>	<u>\$ (563,320)</u>

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

TOWNS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	<u>\$ 218,883</u>	<u>\$ 201,868</u>
TOTAL ASSETS	<u><u>\$ 218,883</u></u>	<u><u>\$ 201,868</u></u>
LIABILITIES		
Funds held in trust	<u>\$ 218,883</u>	<u>201,868</u>
TOTAL LIABILITIES	<u><u>\$ 218,883</u></u>	<u><u>\$ 201,868</u></u>

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

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Towns County, Georgia 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. They are reported in separate columns to emphasize that they are legally separate from the County. 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, 2009

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. 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:

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

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 modified 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.

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

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The government'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 19, 2009 and were due January 10, 2010. Interest of 1% per month is assessed on taxes not paid by this date. The taxes are subject to lien after January 11, 2010. 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, 2009

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory of 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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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, 2009

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. Of the government's bank balance of \$ 7,392,888, none of the balance was exposed to custodial credit risk at December 31, 2009. State statutes require collateral pledged in the amount of 110% of deposits. The County was in compliance with these statutes at December 31, 2009.

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	\$ 3,393,089	\$ -	\$ -	\$ -
Other taxes	180,382	-	-	-
Ambulance	216,587	-	-	-
Fines	232,283	-	-	-
Accrued interest	40,625	-	-	-
Other accounts	148,814	9,116	33,786	14,823
Intergovernmental	21,228	-	-	-
Total Gross Receivables	<u>4,233,008</u>	<u>9,116</u>	<u>33,786</u>	<u>14,823</u>
Less: Allowances for uncollectibles	(167,991)	-	-	-
Total Net Receivables	<u>\$ 4,065,017</u>	<u>\$ 9,116</u>	<u>\$ 33,786</u>	<u>\$ 14,823</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	\$ 476,489	\$ 5,573,615	\$ 6,050,104
Probation fines	150,984	-	150,984
Total	<u>\$ 627,473</u>	<u>\$ 5,573,615</u>	<u>\$ 6,201,088</u>

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Not being depreciated:				
Land	\$ 3,807,616	\$ -	\$ -	\$ 3,807,616
Other Capital Assets:				
Land improvements	260,551	-	-	260,551
Buildings	7,448,464	24,226	-	7,472,690
Equipment	4,880,136	890,990	849,435	4,921,691
Infrastructure	492,915	-	-	492,915
	<u>13,082,066</u>	<u>915,216</u>	<u>849,435</u>	<u>13,147,847</u>
Accumulated Depreciation				
Land improvements	84,822	19,086	-	103,908
Buildings	1,984,552	180,546	-	2,165,098
Equipment	2,907,384	499,318	654,312	2,752,390
Infrastructure	96,771	20,749	-	117,520
	<u>5,073,529</u>	<u>719,699</u>	<u>654,312</u>	<u>5,138,916</u>
Net Capital Assets	<u>\$ 11,816,153</u>	<u>\$ 195,517</u>	<u>\$ 195,123</u>	<u>\$ 11,816,547</u>

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

Governmental Activities	
General government	\$ 47,481
Judicial	339
Public Safety	405,359
Public works	162,363
Health and welfare	39,687
Culture/recreation	64,470
Total	<u>\$ 719,699</u>

Note 5 – DEBT

Long-Term Debt

Long-term liability for the year ended December 31, 2009 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	\$ 947,306	\$ 170,112	\$ 321,577	\$ 795,841	\$ 277,492	\$ 518,349

TOWNS COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

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, payable in ten (10) remaining semiannual payments of \$ 244,239. Interest is charged at a rate of 5.57%.

In 2006, the County entered into a capital lease with Oshkosh Capital to finance the acquisition of 2 pumpers for the Fire department. The total amount financed through the lease was \$241,145, payable over a three-year period with annual payments of \$87,606 beginning April 20, 2007. Interest is charged at a rate of 4.43%. This 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 \$ 170,000 had been drawn as of December 31, 2009. 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, 2009 are as follows:

Year Ending December 31,	Capital Leases		
	Principal	Interest	Total
2010	\$ 277,492	\$ 37,872	\$ 315,364
2011	284,182	23,669	307,851
2012	234,167	10,072	244,239

Long-term compensated absences liability consists of the following as of December 31, 2009:

	Balance 1/1/2009	Issued	Retired	Balance 12/31/2009	Due in One Year
Government Activities					
Compensated Absences	\$ 103,531	\$ 144,475	\$ 168,769	\$ 79,237	\$ 79,237

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.

TOWNS COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

Note 6 – CONTINGENCIES (CONTINUED)

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, 2009.

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

Interfund balances at December 31, 2009, 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	\$ -	\$ 51,809
Special Revenue Fund		
Drug Fund	50,268	-
Victims Assistance	<u>1,541</u>	<u>-</u>
Totals	<u>\$ 51,809</u>	<u>\$ 51,809</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, 2009, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Totals</u>
General Fund	\$ -	\$ 399,618	\$ (399,618)
Emergency 911	285,475	-	285,475
Child Development Center	<u>114,143</u>	<u>-</u>	<u>114,143</u>
Totals	<u>\$ 399,618</u>	<u>\$ 399,618</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	\$ 172,719	\$ -	\$ 172,719
Towns County Health Dept.	<u>-</u>	<u>172,719</u>	<u>(172,719)</u>
Totals	<u>\$ 172,719</u>	<u>\$ 172,719</u>	<u>\$ -</u>

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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.

Annual pension cost

The contribution for 2009 was \$ 106,735.

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.

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 RC 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 RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The County paid annual dues in the amount of \$11,780 to the RC for the year ended December 31, 2009.

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 9 – GEORGIA MOUNTAIN REGIONAL CENTER (CONTINUED)

The RC 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 RCs as “public agencies and instrumentalities of their members.” Georgia laws also provide that the member governments are liable for any debts or obligations of an RC 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.

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 \$ 13,975 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, 2009, 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.

TOWNS COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

Note 11 – RISK MANAGEMENT (CONTINUED)

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, 2009, there was no need for such an assessment. Therefore, no liability for incurred but unreported liabilities is needed.

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, 2009:

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, 2009. 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. Two 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 as 25% 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 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.

TOWNS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 13 – HOTEL/MOTEL TAX

During the year ended December 31, 2009, the County had receipts of \$ 246,851 based on the tax rate of 5% and spent \$ 246,857 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 \$ 148,111 were used for the specified purpose. The County complied with the requirements of this law.

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 2009, Towns County paid \$ 22,364 to the Authority. Financial statements for the Authority are available from the Authority at 624 Green Street, Gainesville, Georgia, 30501.

Note 15 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2008, the County adopted a compensated absence policy as described in Note 1. A prior period adjustment was made in the previous year to record the beginning compensated absence liability balances for January 1, 2008. Consequently, this resulted in the restatement of net assets for governmental activities of \$58,080 for the year ended December 31, 2008.

TOWNS COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,768,512	\$ 7,768,512	\$ 8,070,809	\$ 302,297
Licenses and permits	34,000	34,000	55,707	21,707
Fines and forfeitures	277,500	277,500	347,096	69,596
Charges for services	1,027,000	1,027,000	1,063,574	36,574
Interest income	75,000	75,000	96,536	21,536
Intergovernmental	155,077	155,077	135,796	(19,281)
Contributions and donations	6,300	6,300	18,584	12,284
Other	115,505	115,505	142,869	27,364
TOTAL REVENUES	9,458,894	9,458,894	9,930,971	472,077
EXPENDITURES				
General Government				
General and administrative	693,298	665,009	622,360	42,649
Commissioner	115,500	110,500	103,091	7,409
Tax commissioner	237,150	254,150	248,014	6,136
Tax assessor	199,350	199,350	191,684	7,666
Election	58,400	54,400	50,585	3,815
Total General Government	1,303,698	1,283,409	1,215,734	67,675
Public Safety				
Regional expenditures	103,570	134,000	133,140	860
Sheriff	1,107,512	1,205,920	1,166,062	39,858
Jail	244,240	244,240	244,239	1
Jail operation	900,000	901,866	887,790	14,076
Fire department	410,720	690,720	678,559	12,161
Ambulance service	987,690	947,690	931,351	16,339
D.A.R.E. officer	-	-	-	-
Drug Task Force	-	-	-	-
E.M.A. director	54,015	55,315	54,180	1,135
Environmental enforcement	-	-	-	-
E-911 Mapping	89,935	119,935	115,517	4,418
Inmate labor	31,000	31,000	20,850	10,150
Total Public Safety	3,928,682	4,330,686	4,231,688	98,998
Court System				
Regional expenditures				-
Probate/Magistrate court	245,850	245,850	205,345	40,505
Clerk of court	214,850	214,850	176,446	38,404
Court - other	463,524	338,524	273,353	65,171
District attorney	59,450	69,450	66,913	2,537
Total Court System	983,674	868,674	722,057	146,617

TOWNS COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE (CONTINUED)
 GENERAL FUND
 For the Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works				
Regional expenditures	-	-	-	-
Road department	921,600	784,670	733,562	51,108
Landfill	587,100	504,100	435,436	68,664
Landfill closure	-	13,975	13,975	-
Total Public Works	<u>1,508,700</u>	<u>1,302,745</u>	<u>1,182,973</u>	<u>119,772</u>
Health and Welfare				
Regional expenditures	316,634	395,134	361,252	33,882
Extension service	21,700	22,900	21,823	1,077
Transportation service	89,706	77,406	71,775	5,631
Total Health and Welfare	<u>428,040</u>	<u>495,440</u>	<u>454,850</u>	<u>40,590</u>
Recreation and Culture				
Regional expenditures	278,000	228,000	128,653	99,347
Recreation department	307,400	307,400	273,090	34,310
Chatuge campground	70,800	91,800	90,196	1,604
Total Recreation and Culture	<u>656,200</u>	<u>627,200</u>	<u>491,939</u>	<u>135,261</u>
Housing and Development				
Regional expenditures	51,500	63,500	62,943	557
Building inspection	74,900	74,900	68,993	5,907
Planning and zoning	37,500	27,500	23,653	3,847
Total Housing and Development	<u>163,900</u>	<u>165,900</u>	<u>155,589</u>	<u>10,311</u>
TOTAL EXPENDITURES	<u>8,972,894</u>	<u>9,074,054</u>	<u>8,454,830</u>	<u>619,224</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	486,000	384,840	1,476,141	
OTHER FINANCING SOURCES (USES)				
Transfers in / (out)	(386,000)	(397,501)	(399,618)	
Contingencies / surplus reserves	(100,000)	12,661	-	
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>1,076,523</u>	
			<u>1,827,581</u>	
			<u>\$ 2,904,104</u>	

TOWNS COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2009

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 ASSETS AND LIABILITIES
 AGENCY FUNDS
 December 31, 2009

	Tax Commissioner	Clerk of Superior Court	Probate Court	Magistrate Court
ASSETS				
Cash	\$ 41,474	\$ 83,944	\$ 5,026	\$ 1,879
TOTAL ASSETS	\$ 41,474	\$ 83,944	\$ 5,026	\$ 1,879
LIABILITIES				
Funds held in trust	\$ 41,474	\$ 83,944	\$ 5,026	\$ 1,879
TOTAL LIABILITIES	\$ 41,474	\$ 83,944	\$ 5,026	\$ 1,879

TOWNS COUNTY, GEORGIA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2009

<u>Sheriff</u>	<u>Total</u>
<u>\$ 86,560</u>	<u>\$ 218,883</u>
<u>\$ 86,560</u>	<u>\$ 218,883</u>
<u>\$ 86,560</u>	<u>\$ 218,883</u>
<u>\$ 86,560</u>	<u>\$ 218,883</u>

TOWNS COUNTY, GEORGIA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended December 31, 2009

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	<u>\$ 201,867</u>	<u>\$ 7,769,098</u>	<u>\$ 7,752,082</u>	<u>\$ 218,883</u>
TOTAL ASSETS	<u><u>\$ 201,867</u></u>	<u><u>\$ 7,769,098</u></u>	<u><u>\$ 7,752,082</u></u>	<u><u>\$ 218,883</u></u>
LIABILITIES				
Funds held in trust	<u>\$ 201,867</u>	<u>\$ 7,769,098</u>	<u>\$ 7,752,082</u>	<u>\$ 218,883</u>
TOTAL LIABILITIES	<u><u>\$ 201,867</u></u>	<u><u>\$ 7,769,098</u></u>	<u><u>\$ 7,752,082</u></u>	<u><u>\$ 218,883</u></u>

TOWNS COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2009

	<u>Child Development Center</u>	<u>Emergency 911</u>	<u>Law Library</u>	<u>Drug Fund</u>
ASSETS				
Cash and cash equivalents	\$ 10,247	\$ 831	\$ 21,191	\$ -
Receivables, net	9,116	33,786	-	-
Due from other funds	-	-	-	50,268
TOTAL ASSETS	<u><u>\$ 19,363</u></u>	<u><u>\$ 34,617</u></u>	<u><u>\$ 21,191</u></u>	<u><u>\$ 50,268</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	11,143	-	-	-
Total liabilities	<u>11,143</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Reserved for:				
Prepaid items	-	-	-	-
Unreserved, reported in:				
General fund	-	-	-	-
Special revenue funds	8,220	34,617	21,191	50,268
Total fund balances	<u>8,220</u>	<u>34,617</u>	<u>21,191</u>	<u>50,268</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 19,363</u></u>	<u><u>\$ 34,617</u></u>	<u><u>\$ 21,191</u></u>	<u><u>\$ 50,268</u></u>

TOWNS COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2009

Victim's Assistance Fund	Jail Fund	Hotel / Motel Tax Fund	Total
\$ -	\$ -	\$ 278	\$ 32,547
-	-	-	42,902
<u>1,541</u>	<u>-</u>	<u>-</u>	<u>51,809</u>
<u>\$ 1,541</u>	<u>\$ -</u>	<u>\$ 278</u>	<u>\$ 127,258</u>
\$ -	\$ -	\$ 278	\$ 278
-	-	-	11,143
<u>-</u>	<u>-</u>	<u>278</u>	<u>11,421</u>
-	-	-	-
-	-	-	-
<u>1,541</u>	<u>-</u>	<u>-</u>	<u>115,837</u>
<u>1,541</u>	<u>-</u>	<u>-</u>	<u>115,837</u>
<u>\$ 1,541</u>	<u>\$ -</u>	<u>\$ 278</u>	<u>\$ 127,258</u>

TOWNS COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2009

	Child Development Center	Emergency 911	Law Library	Drug Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	8,839	22,805
Charges for services	142,158	215,234	-	-
Interest income	38	323	-	-
Intergovernmental	174,302	-	-	-
TOTAL REVENUES	<u>\$ 316,498</u>	<u>\$ 215,557</u>	<u>\$ 8,839</u>	<u>\$ 22,805</u>
EXPENDITURES				
Current Operating				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	414,734	-	3,005
Court system	-	-	9,378	-
Public works	-	-	-	-
Health and culture	423,805	-	-	-
Housing and development	-	-	-	-
Capital Outlay	-	336,613	-	-
Debt Service				
Principal	-	39,437	-	-
Interest	-	2,191	-	-
TOTAL EXPENDITURES	<u>423,805</u>	<u>792,975</u>	<u>9,378</u>	<u>3,005</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(107,307)</u>	<u>(577,418)</u>	<u>(539)</u>	<u>19,800</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from financing	-	170,000	-	-
Transfers in (out)	114,143	285,475	-	-
TOTAL OTHER FINANCING SOURCES	<u>114,143</u>	<u>455,475</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	6,836	(121,943)	(539)	19,800
FUND BALANCE, BEGINNING	<u>1,384</u>	<u>156,560</u>	<u>21,730</u>	<u>30,468</u>
FUND BALANCE, ENDING	<u>\$ 8,220</u>	<u>\$ 34,617</u>	<u>\$ 21,191</u>	<u>\$ 50,268</u>

TOWNS COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2009

Victim's Assistance Fund	Jail Fund	Hotel / Motel Tax Fund	Total
\$ -	\$ -	\$ 246,851	\$ 246,851
13,911	21,244	-	66,799
-	-	-	357,392
-	-	6	367
-	-	-	174,302
<u>\$ 13,911</u>	<u>\$ 21,244</u>	<u>\$ 246,857</u>	<u>\$ 845,711</u>
\$ -	\$ -	\$ -	\$ -
-	21,244	-	438,983
13,911	-	-	23,289
-	-	-	-
-	-	-	423,805
-	-	246,857	246,857
-	-	-	336,613
-	-	-	39,437
-	-	-	2,191
<u>13,911</u>	<u>21,244</u>	<u>246,857</u>	<u>1,511,175</u>
-	-	-	(665,464)
-	-	-	170,000
-	-	-	399,618
-	-	-	569,618
-	-	-	(95,846)
<u>1,541</u>	<u>-</u>	<u>-</u>	<u>211,683</u>
<u>\$ 1,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,837</u>

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July 22, 2010

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, 2009, which collectively comprise Towns County, Georgia's basic financial statements, and have issued our report thereon dated July 22, 2010. 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, which represents 100 percent and 100 percent, respectively, of the assets and revenues of the component units. 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 2
July 22, 2010

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 July 22, 2010.

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.

Alexander, Almond & Associates, LLP