

STEPHENS COUNTY, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2009**

STEPHENS COUNTY, GEORGIA

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Board of Commissioners
of Stephens County, Georgia
Toccoa, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Stephens County, Georgia**, as of and for the year ended June 30, 2009, which collectively comprise Stephens County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stephens County Department of Public Health, which statements reflect total assets of \$255,337 as of June 30, 2009, and total revenues of \$656,516 for the year ended June 30, 2009. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Stephens County Department of Public Health in the component unit column is based 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. 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 the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stephens County, Georgia as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the E911 Fund for the year then 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 December 22, 2009, on our consideration of Stephens 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 10) is not a required part of the basic financial statements, but is 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 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Stephens County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Stephens County, Georgia. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 and are also not a required part of the basic financial statements of Stephens County, Georgia. The combining and individual nonmajor fund financial statements and the schedules of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
December 22, 2009

STEPHENS COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

This section of Stephens County, Georgia's ("the County") annual financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2009.

Financial Highlights

- The assets of Stephens County exceeded its liabilities at June 30, 2009, by \$67.4 million (net assets). Of this amount, \$4,267,801 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At fiscal year-end June 31, 2009, the County's General Fund reported a total unreserved and reserved fund balance of \$5,492,285.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Stephens County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Stephens County's finances, in a manner similar to a private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net assets and the statement of activities, which are described below.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. It is important to note that this statement consolidates the governmental funds' current financial resources (short-term) with capital assets and long-term liabilities.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the County include general government, judicial, public safety, public works, health and welfare, recreation, and housing and development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements include not only Stephens County itself (known as the primary government), but also the Stephens County Health Department. These are legally separate entities that are component units of the County due to the significance of their operational or financial relationships with the County. Financial information for these component units 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. Stephens 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 the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Stephens County maintains governmental funds to account for the following activities: **General**; **Special Revenue** (E911, Jail, Water Lines, Juvenile Supervision, Drug Rehabilitation, Drug Task Force, Jail Commissary, Hotel/Motel Tax, Law Library and Grants); and **Capital Projects** (2004 and 2009 SPLOST).

Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, E911, and SPLOST funds, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated column. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Stephens County adopts an annual appropriated budget for its general, special revenue and proprietary funds. A budgetary comparison statement has been provided for the General and E911 Fund within the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds. Services for which the government charges customers a fee are generally reported in proprietary funds. The Solid Waste Management Fund is a major enterprise fund and its business-like activities are reported with detail including cash flows.

Fiduciary funds. Agency funds are custodial in nature; the only required financial statements are the balance sheet and statement of fiduciary assets and liabilities. Fiduciary funds are not reflected in the government-wide financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceed liabilities by \$67,431,283 at the close of the most recent fiscal year.

A large portion of the County's net assets, 88.73%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is 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.

Stephens County's Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Percentage Change 2008-2009
	2008	2009	2008	2009	2008	2009	
Current and other assets	\$ 12.48	\$ 10.90	\$ 0.02	\$ 0.00	\$ 12.50	\$ 10.90	(12.74) %
Capital assets	64.72	64.37	0.32	0.30	65.04	64.67	(0.56)
Total assets	<u>77.20</u>	<u>75.27</u>	<u>0.34</u>	<u>0.30</u>	<u>77.54</u>	<u>75.58</u>	(2.52)
Long-term liabilities outstanding	0.46	4.24	0.01	1.78	0.47	6.02	1,175.93
Other liabilities	7.93	2.11	1.37	0.02	9.30	2.13	(77.09)
Total liabilities	<u>8.39</u>	<u>6.35</u>	<u>1.38</u>	<u>1.80</u>	<u>9.77</u>	<u>8.15</u>	(16.55)
Net assets:							
Invested in capital assets, net of related debt	60.99	59.53	0.32	0.30	61.31	59.83	(2.41)
Restricted for Capital Projects/E911	4.70	3.33	-	-	4.70	3.33	(29.06)
Unrestricted	3.12	6.06	(1.36)	(1.79)	1.76	4.27	142.92
Total net assets	<u>\$ 68.81</u>	<u>\$ 68.92</u>	<u>\$ (1.04)</u>	<u>\$ (1.49)</u>	<u>\$ 67.77</u>	<u>\$ 67.43</u>	(0.49)

Unrestricted net assets of \$4.27 million may be used to meet the government's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of the current fiscal year, Stephens County is able to report positive balances in all categories of net assets for the government as a whole.

Stephens County's Changes in Net Assets (in millions of dollars)

	Governmental Government Activities		Business-type Business Type Activities		Total Activities		Percentage Change
	2008	2009	2008	2009	2008	2009	2008-2009
Revenues							
Program revenues:							
Charges for services	\$ 2.69	\$ 2.57	\$ 0.26	\$ 0.15	\$ 2.95	\$ 2.72	(7.92) %
Operating grants and contributions	0.16	0.23	-	-	0.16	0.23	42.02
Capital grants and contributions	0.00	0.06	-	-	0.00	0.06	2,754.70
General revenues:							
Property taxes	6.64	8.03	-	-	6.64	8.03	20.92
Other taxes	6.65	4.72	-	-	6.65	4.72	(29.05)
Investment income	0.29	0.07	0.00	0.00	0.29	0.07	(75.14)
Gain on sale of capital assets	-	-	-	-	-	-	
Transfers	(0.08)	(0.25)	0.08	0.25	-	-	
Total revenues	16.35	15.43	0.34	0.40	16.70	15.83	(5.22)
Expenses							
General government	2.27	2.28	-	-	2.27	2.28	0.39
Judicial	1.25	1.48	-	-	1.25	1.48	18.32
Public safety	4.79	5.44	-	-	4.79	5.44	13.73
Public works	2.68	2.76	-	-	2.68	2.76	3.05
Health and welfare	1.56	1.72	-	-	1.56	1.72	10.07
Recreation	0.83	0.92	-	-	0.83	0.92	10.54
Housing & development	0.90	0.50	-	-	0.90	0.50	(44.99)
Interest on long-term debt	0.20	0.22	-	-	0.20	0.22	11.23
Solid waste	-	-	0.47	0.85	0.47	0.85	81.62
Transfers	-	-	-	-	-	-	
Total expenses	14.47	15.31	0.47	0.85	14.94	16.16	8.15
Change in net assets	1.88	0.12	(0.12)	(0.45)	1.76	(0.33)	(118.79)
Net assets, beginning of year	66.92	68.81	(0.92)	(1.04)	66.00	67.76	2.66
Net assets, end of year	\$ 68.81	\$ 68.92	\$ (1.04)	\$ (1.49)	\$ 67.76	\$ 67.43	(0.49)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The changes in net assets between fiscal years 2008 and 2009 were affected by the following:

- Increases in operating grants and contributions of \$69,073 are due to \$51,985 stimulus money for US Treasury Forest Land being received a year in advance and \$27,719 of prisoner upkeep reimbursement.
- Increases in capital grants and contributions of \$57,105 are mainly due to DOT participative road projects.
- Increase in property tax revenue of \$1,388,367 is due to a millage rate increase from 9.75 to 11.32.
- Decrease in other taxes of \$1,932,019 is due to economic downturn conditions especially in sales tax spending.
- Decrease in investment income of \$220,385 is due from lowering of banking rates and completing SPLOST IV projects that were mostly pay as you go projects.
- Increase in Judicial expenditures of \$229,746 is from rising court costs in all areas and a donation made from the Law Library fund of \$52,300 to the Historic Courthouse Restoration Authority.
- Increase in Public Safety of \$656,842 is due from the staffing and operations of the new and larger County jail.
- Decrease in Housing and Development of \$405,568 is mainly due to a significant cut in funding to the Development Authority from economic strains placed on the budget.

Business-type activities.

- The Stephens County Solid Waste Management has continued to produce an operating deficit of (\$447,185). While this fund operates with a deficit each year, it has increased this year due to the beginnings of foreclosure expenditures, economic cost increases and a significant reduction in landfill use fees.
- A transfer of funds was made from the General Fund back to the Solid Waste Fund in the amount of \$248,135.

Financial Analysis of the Government's Funds

Governmental funds. The focus of Stephens County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The general fund is the chief operating fund of Stephens County. At the end of the current fiscal year, reserved fund balance was \$129,715, unreserved designated fund balance of the general fund was \$1,778,861 and undesignated was \$3,583,709, while the total fund balance was \$5,492,285.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 44.89% of total general fund expenditures, while total fund balance represents 45.97% of that same amount.

SPLOST 2004 and 2009

SPLOST (Special purpose local option sales tax) Referendum passed on March 18, 2003 and November 6, 2007, respectively. Proceeds of \$15,500,000 (2003) and \$25,640,000 (2007) will fund multiple capital projects started in 2004 and 2009, respectively. At the end of the current fiscal year, combined SPLOST expenditures were \$3.02 million, revenues were \$1.67 million leaving a fund balance of \$3.22 million. Projects for SPLOST 2004 were substantially completed this fiscal year while SPLOST 2009 began. Sales tax revenues were for SPLOST 2009.

Proprietary funds. Stephens County's proprietary fund provides that same type of information found in the government-wide financial statements, but in more detail. The County's only proprietary fund is the Solid Waste Management Fund.

Solid Waste Management

At the end of the current fiscal year, unrestricted net assets for the Solid Waste fund were \$ (1,791,470) as this fund operates with a deficit each year requiring transfers from the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Board of Commissioners revised the County budget on multiple occasions to avoid budget overruns.

Capital Asset and Debt Administration

Capital assets. Stephens County's investment in capital assets as of June 30, 2009, amounts to \$64,674,331 (net of accumulated depreciation). This investment in capital assets includes land, site improvements, buildings, machinery and equipment, and infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Stephens County's Capital Assets (net of depreciation)

	Governmental Activities		Percentage Change
	2008	2009	2008-2009
Land	\$ 1,320,241	\$ 1,320,241	- %
Construction in progress	12,737,810	2,620,869	(79.42)
Buildings and improvements	8,949,830	19,918,940	122.56
Machinery and equipment	1,931,690	1,888,259	(2.25)
Infrastructure	40,104,077	38,926,022	(2.94)
Total	\$ 65,043,648	\$ 64,674,331	(0.57)

Additional information on the County's capital assets can be found in Note 6 of this report.

Long-term Debt. Stephens County's long-term debt for the year ended June 30, 2009, is summarized below.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital leases	\$ 498,876	\$ -	\$ (74,447)	\$ 424,429
Note payable	5,675,000	-	(1,140,060)	4,534,940
Compensated absences	151,331	139,878	(111,853)	179,356
Total	\$ 6,325,207	\$ 139,878	\$ (1,326,360)	\$ 5,138,725
Business-type Activities:				
Compensated absences	\$ 6,929	\$ 4,304	\$ (4,902)	\$ 6,331
Landfill post-closure	1,365,100	873,707	(459,946)	1,778,861
Total	\$ 1,372,029	\$ 878,011	\$ (464,848)	\$ 1,785,192

Capital leases represent five pieces of major equipment for the Road Department currently in the last half of the leasing period with no new leases entered into for the period ended June 30, 2009.

Notes payable is a 15 year installment sales agreement entered into in October 2007 for the funding of a new jail with SPLOST IV proceeds.

Engineering and post-closure costs associated with the closing of the Stephens County landfill are estimated to be approximately \$1,778,861 over a 30 year period and are recorded as a long-term liability of the Solid Waste Fund.

Additional information regarding the County's long-term debt can be found in Note 7 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets

- The millage rate remains unchanged at 11.32 with the value of a mil decreasing 1%.
- Property tax collections at 93% instead of the normal 97%.
- No receipt of approximately \$400,000 in a property homestead credit grant from the state.
- LOST, SPLOST and Insurance Premium Tax Revenues down around 10% due to economic issues.
- Landfill user fees continue to decline.
- Retirement contributions cut from 10% to 1.5%.
- Salaried employees are furloughed 1 day per month for twelve months.
- Health insurance costs negotiated to remain the same by increasing office visit co-pay.
- First full year from three board commission to a five board commission.
- First full year for 20 new jailors plus benefits.
- Preparing for closure of landfill.
- Many cost saving initiatives are being reviewed and implemented.

These items were taken into account when adopting the general fund budget for 2010.

Most budgeted expenditures are expected to remain constant. The County departments will be expected to use a conservative approach to budgeting.

As for the County's business-type activities, we expect that the 2010 results will have significant changes in the operation as preparation for closure is beginning and user fees are still declining.

Requests for Information

This financial report is designed to provide a general overview of Stephens County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Stephens County, P.O. Box 386, Toccoa, Georgia 30577.

STEPHENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS JUNE 30, 2009

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 8,229,754	\$ 229,390	\$ 8,459,144
Investments	1,006,860	-	1,006,860
Taxes receivable	371,079	-	371,079
Accounts receivable, net of allowances	103,841	4,117	107,958
Due from other governments	781,404	-	781,404
Internal balances	229,390	(229,390)	-
Prepaid items	130,550	-	130,550
Deferred charges	47,089	-	47,089
Capital assets, non-depreciable	3,696,710	244,400	3,941,110
Capital assets, depreciable, net of accumulated depreciation	60,676,916	56,305	60,733,221
Total assets	75,273,593	304,822	75,578,415
LIABILITIES			
Accounts payable	517,895	10,395	528,290
Accrued liabilities	251,982	-	251,982
Due to other governments	442,943	-	442,943
Note payable due within one year	340,120	-	340,120
Note payable due in more than one year	4,194,820	-	4,194,820
Capital leases due within one year	424,429	-	424,429
Compensated absences due within one year	132,438	4,675	137,113
Compensated absences due in more than one year	46,918	1,656	48,574
Accrued closure/postclosure care costs due in more than one year	-	1,778,861	1,778,861
Total liabilities	6,351,545	1,795,587	8,147,132
NET ASSETS			
Investment in capital assets, net of related debt	59,528,385	300,705	59,829,090
Restricted for:			
Capital improvements	3,334,392	-	3,334,392
Other purposes	-	-	-
Unrestricted	6,059,271	(1,791,470)	4,267,801
Total net assets	\$ 68,922,048	\$ (1,490,765)	\$ 67,431,283

The accompanying notes are an integral part of these financial statements.

Component Unit	
Health Department	
\$	241,919
	-
	-
	9,610
	-
	-
	-
	-
	3,808
	<u>255,337</u>
	1,386
	-
	-
	-
	-
	29,000
	12,033
	-
	<u>42,419</u>
	3,809
	-
	13,963
	<u>195,146</u>
\$	<u><u>212,918</u></u>

STEPHENS COUNTY, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,277,087	\$ 1,166,601	\$ 113,465	\$ 217
Judicial	1,483,688	-	86,304	-
Public safety	5,442,538	1,307,948	33,699	8,500
Public works	2,759,745	-	-	50,461
Health and welfare	1,717,958	10,709	-	-
Recreation	915,444	80,176	-	-
Housing and development	495,904	-	-	-
Interest on long-term debt	218,251	-	-	-
Total governmental activities	15,310,615	2,565,434	233,468	59,178
Business-type activities:				
Solid waste management	845,613	149,752	-	-
Total business-type activities	845,613	149,752	-	-
Total primary government	\$ 16,156,228	\$ 2,715,186	\$ 233,468	\$ 59,178
Component units:				
Health Department	\$ 622,780	\$ 276,258	\$ 380,258	\$ -
Total component units	\$ 622,780	\$ 276,258	\$ 380,258	\$ -
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total	Component Unit Health Department
\$ (996,804)	\$ -	\$ (996,804)	\$ -
(1,397,384)	-	(1,397,384)	-
(4,092,391)	-	(4,092,391)	-
(2,709,284)	-	(2,709,284)	-
(1,707,249)	-	(1,707,249)	-
(835,268)	-	(835,268)	-
(495,904)	-	(495,904)	-
(218,251)	-	(218,251)	-
<u>(12,452,535)</u>	<u>-</u>	<u>(12,452,535)</u>	<u>-</u>
-	(695,861)	(695,861)	-
-	(695,861)	(695,861)	-
<u>\$ (12,452,535)</u>	<u>\$ (695,861)</u>	<u>\$ (13,148,396)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,736</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,736</u>
8,025,843	-	8,025,843	-
3,723,677	-	3,723,677	-
995,532	-	995,532	-
72,352	541	72,893	-
(248,135)	248,135	-	-
<u>12,569,269</u>	<u>248,676</u>	<u>12,817,945</u>	<u>-</u>
116,734	(447,185)	(330,451)	33,736
68,805,314	(1,043,580)	67,761,734	179,182
<u>\$ 68,922,048</u>	<u>\$ (1,490,765)</u>	<u>\$ 67,431,283</u>	<u>\$ 212,918</u>

STEPHENS COUNTY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2009

ASSETS	General	SPLOST	E911	Other Governmental Funds	Total
Cash and cash equivalents	\$ 4,831,672	\$ 2,405,588	\$ 451,929	\$ 540,565	\$ 8,229,754
Investments	6,860	1,000,000	-	-	1,006,860
Taxes receivable	359,665	-	-	11,414	371,079
Accounts receivable	55,579	7,986	40,276	-	103,841
Due from other governments	337,702	442,954	-	748	781,404
Due from other funds	835,767	-	-	-	835,767
Prepaid items	129,715	-	835	-	130,550
Total assets	\$ 6,556,960	\$ 3,856,528	\$ 493,040	\$ 552,727	\$ 11,459,255
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 418,424	\$ 25,004	\$ 24,448	\$ 50,019	\$ 517,895
Accrued liabilities	251,982	-	-	-	251,982
Deferred revenues	394,269	31,308	-	-	425,577
Due to other funds	-	140,752	451,929	13,696	606,377
Due to other governments	-	442,943	-	-	442,943
Total liabilities	1,064,675	640,007	476,377	63,715	2,244,774
FUND BALANCES					
Fund balances:					
Reserved for:					
Capital improvements	-	-	-	117,871	117,871
Prepaid items	129,715	-	835	-	130,550
Unreserved, reported in					
General fund					
Designated for landfill post closure care costs	1,778,861	-	-	-	1,778,861
Undesignated	3,583,709	-	-	-	3,583,709
Special revenue funds					
Undesignated	-	-	15,828	371,141	386,969
Capital projects fund					
Undesignated	-	3,216,521	-	-	3,216,521
Total fund balances	5,492,285	3,216,521	16,663	489,012	9,214,481
Total liabilities and fund balances	\$ 6,556,960	\$ 3,856,528	\$ 493,040	\$ 552,727	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64,373,626
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	425,577
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,091,636)</u>

Net assets of governmental activities	<u>\$ 68,922,048</u>
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The accompanying notes are an integral part of these financial statements.

STEPHENS COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2009

	General	SPLOST	E911	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 7,715,521	\$ -	\$ -	\$ -	\$ 7,715,521
Sales taxes	2,149,925	1,573,752	-	-	3,723,677
Other taxes	945,194	-	-	50,338	995,532
Licenses and permits	27,939	-	-	-	27,939
Intergovernmental	352,319	-	-	14,797	367,116
Rents and royalties	30,820	-	-	-	30,820
Charges for services	443,174	-	463,437	76,740	983,351
Fines and forfeitures	502,799	-	-	103,353	606,152
Interest	29,010	37,121	4,416	1,805	72,352
Other revenues	791,326	51,167	209	-	842,702
Total revenues	#####	1,662,040	468,062	247,033	15,365,162
Expenditures:					
Current:					
General government	2,174,313	-	-	14,231	2,188,544
Judicial	1,398,593	-	-	82,631	1,481,224
Public safety	4,131,961	-	834,734	182,858	5,149,553
Public works	1,270,824	-	-	-	1,270,824
Health and welfare	1,580,287	-	-	34,370	1,614,657
Culture and recreation	801,880	-	-	25,020	826,900
Housing and development	495,904	-	-	-	495,904
Capital outlay	-	1,686,228	-	-	1,686,228
Debt service:					
Principal	74,447	1,140,060	-	-	1,214,507
Interest	18,334	196,385	-	-	214,719
Total expenditures	#####	3,022,673	834,734	339,110	16,143,060
Excess (deficiency) of revenues over (under) expenditures	1,041,484	(1,360,633)	(366,672)	(92,077)	(777,898)
Other financing sources (uses):					
Transfers in	27,880	-	357,464	-	385,344
Transfers out	(605,599)	-	-	(27,880)	(633,479)
Total other financing sources (uses)	(577,719)	-	357,464	(27,880)	(248,135)
Net change in fund balances	463,765	(1,360,633)	(9,208)	(119,957)	(1,026,033)
Fund balance, beginning of year	5,028,520	4,577,154	25,871	608,969	10,240,514
Fund balance, end of year	\$ 5,492,285	\$ 3,216,521	\$ 16,663	\$ 489,012	\$ 9,214,481

The accompanying notes are an integral part of these financial statements.

STEPHENS 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 JUNE 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (1,026,033)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(350,505)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	310,322
while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,210,975
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(28,025)</u>
	<u>\$ 116,734</u>

The accompanying notes are an integral part of these financial statements.

STEPHENS COUNTY, GEORGIA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 6,825,371	\$ 8,141,474	\$ 7,715,521	\$ (425,953)
Sales taxes	2,635,000	2,635,000	2,149,925	(485,075)
Other taxes	978,060	978,060	945,194	(32,866)
Licenses and permits	52,980	52,980	27,939	(25,041)
Intergovernmental	265,901	265,901	352,319	86,418
Rents and royalties	30,817	30,817	30,820	3
Charges for services	488,870	488,870	443,174	(45,696)
Fines and forfeitures	521,592	521,592	502,799	(18,793)
Interest income	118,993	118,993	29,010	(89,983)
Other revenues	749,980	761,025	791,326	30,301
Total revenues	12,667,564	13,994,712	12,988,027	(1,006,685)
Expenditures:				
Current:				
General government:				
General administration	1,394,893	1,396,706	1,306,028	90,678
Registrar/elections	190,556	180,557	163,100	17,457
Tax commissioner	320,775	320,775	287,740	33,035
Tax assessor	509,230	505,055	417,445	87,610
Total general government	2,415,454	2,403,093	2,174,313	228,780
Judicial:				
Clerk of courts	431,891	431,891	404,464	27,427
Superior court	376,687	390,343	132,003	258,340
District attorney	153,291	153,291	148,225	5,066
Indigent defense	136,572	138,829	138,829	-
State court	138,693	138,692	128,489	10,203
Magistrate court	180,265	180,265	171,580	8,685
Probate court	143,382	143,382	137,323	6,059
Juvenile court	114,300	137,680	137,680	-
Total judicial	1,675,081	1,714,373	1,398,593	315,780
Public safety:				
Sheriff's office	3,194,891	3,567,594	3,552,931	14,663
Coroner	20,750	23,838	23,311	527
Emergency management	102,941	124,379	116,719	7,660
Probation office	113,017	115,650	105,798	9,852
Animal control	78,000	106,476	101,960	4,516
Rural fire protection	223,789	233,789	231,242	2,547
Total public safety	3,733,388	4,171,726	4,131,961	39,765
Public works:				
Public works department	1,433,218	1,420,407	1,270,824	149,583
Total public works	1,433,218	1,420,407	1,270,824	149,583

(Continued)

STEPHENS COUNTY, GEORGIA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2009

Expenditures: (Continued)	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Current:				
Health and welfare:				
Public welfare	\$ 102,380	\$ 102,380	\$ 98,041	\$ 4,339
Health and human services	1,240,587	1,262,677	1,262,677	-
Senior citizens center	250,797	250,798	219,569	31,229
Total health and welfare	1,593,764	1,615,855	1,580,287	35,568
Culture and recreation:				
Parks and recreation	700,040	663,353	545,149	118,204
Library	256,731	256,731	256,731	-
Total culture and recreation	956,771	920,084	801,880	118,204
Housing and development:				
County agent's office	72,674	72,675	63,605	9,070
Economic development	-	325,000	325,000	-
Airport	35,000	35,045	35,045	-
Payments to other agencies	222,557	702,450	72,254	630,196
Total housing and development	330,231	1,135,170	495,904	639,266
Debt service:				
Principal	73,264	74,447	74,447	-
Interest	17,750	18,334	18,334	-
Total debt service	91,014	92,781	92,781	-
Total expenditures	12,228,921	13,473,489	11,946,543	1,526,946
Excess of revenues over expenditures	438,643	521,223	1,041,484	520,261
Other financing sources (uses):				
Transfers in	28,273	28,273	27,880	(393)
Transfers out	(466,916)	(578,029)	(605,599)	(27,570)
Total other financing sources (uses)	(438,643)	(549,756)	(577,719)	(27,963)
Net change in fund balance	-	(28,533)	463,765	492,298
Fund balance, beginning of year	5,028,520	5,028,520	5,028,520	-
Fund balance, end of year	\$ 5,028,520	\$ 4,999,987	\$ 5,492,285	\$ 492,298

The accompanying notes are an integral part of these financial statements.

STEPHENS COUNTY, GEORGIA

E911 FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 462,832	\$ 467,132	\$ 463,437	\$ (3,695)
Interest income	1,500	3,147	4,416	1,269
Other revenues	-	106	209	103
Total revenues	<u>464,332</u>	<u>470,385</u>	<u>468,062</u>	<u>(2,323)</u>
Expenditures:				
Personal services	682,998	745,668	729,987	15,681
Supplies	14,300	14,300	7,843	6,457
Contractual services	111,500	100,383	96,904	3,479
Total expenditures	<u>808,798</u>	<u>860,351</u>	<u>834,734</u>	<u>25,617</u>
Deficiency of revenues under expenditures	<u>(344,466)</u>	<u>(389,966)</u>	<u>(366,672)</u>	<u>23,294</u>
Other financing sources:				
Transfers in	<u>344,466</u>	<u>389,966</u>	<u>357,464</u>	<u>(32,502)</u>
Total other financing sources	<u>344,466</u>	<u>389,966</u>	<u>357,464</u>	<u>(32,502)</u>
Net change in fund balance	-	-	(9,208)	(9,208)
Fund balance, beginning of year	<u>25,871</u>	<u>25,871</u>	<u>25,871</u>	<u>-</u>
Fund balance, end of year	<u>\$ 25,871</u>	<u>\$ 25,871</u>	<u>\$ 16,663</u>	<u>\$ (9,208)</u>

The accompanying notes are an integral part of these financial statements.

STEPHENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2009

	Solid Waste Management Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 229,390
Accounts receivable, net of allowances	4,117
Total current assets	<u>233,507</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable assets	244,400
Depreciable assets	605,665
Less accumulated depreciation	<u>(549,360)</u>
Total capital assets net of accumulated depreciation	<u>300,705</u>
Total assets	<u>534,212</u>
LIABILITIES	
Current liabilities:	
Accounts payable	10,395
Due to other funds	229,390
Compensated absences - current	4,675
Total current liabilities	<u>244,460</u>
Long-term liabilities:	
Accrued closure/postclosure care costs	1,778,861
Compensated absences payable	1,656
Total long-term liabilities	<u>1,780,517</u>
Total liabilities	<u>2,024,977</u>
NET ASSETS (DEFICIT)	
Invested in capital assets	300,705
Unrestricted	<u>(1,791,470)</u>
Total net assets	<u>\$ (1,490,765)</u>

The accompanying notes are an integral part of these financial statements.

STEPHENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Solid Waste Management Fund</u>
OPERATING REVENUES	
Charges for services:	
Garbage collection fees	\$ 45,894
Landfill fees	68,463
Other income	35,395
Total operating revenues	<u>149,752</u>
OPERATING EXPENSES	
Salaries and benefits	197,022
Supplies and maintenance	28,527
Utilities	14,753
Office expense	19,725
Contractual services	520,684
Depreciation	18,812
Indirect costs	46,090
Total operating expenses	<u>845,613</u>
Operating loss	<u>(695,861)</u>
NONOPERATING REVENUE	
Interest income	541
Total nonoperating revenue	<u>541</u>
Loss before transfers	(695,320)
Transfer in	<u>248,135</u>
Change in net assets	(447,185)
NET ASSETS (Deficit), beginning of year	<u>(1,043,580)</u>
NET ASSETS (Deficit), end of year	<u>\$ (1,490,765)</u>

The accompanying notes are an integral part of these financial statements.

STEPHENS COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Solid Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 161,149
Payments to suppliers and service providers	(187,529)
Payments to employees	(197,620)
Net cash used in operating activities	(224,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	541
Net cash provided by investing activities	541
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	248,135
Net cash provided by noncapital activities	248,135
Net increase in cash and cash equivalents	24,676
Cash and cash equivalents:	
Beginning of year	204,714
End of year	\$ 229,390
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (695,861)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	18,812
Decrease in accounts receivable	11,397
Increase in accounts payable	3,813
Increase in due to other funds	24,676
Decrease in compensated absences	(598)
Increase in accrued closure/postclosure care costs	413,761
Net cash used in operating activities	\$ (224,000)

The accompanying notes are an integral part of these financial statements.

STEPHENS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2009

ASSETS	Agency Funds
Cash and cash equivalents	\$ 392,917
Taxes receivable	596,474
Accounts receivable	<u>620</u>
Total assets	<u>\$ 990,011</u>
LIABILITIES	
Due to others	\$ 393,537
Uncollected taxes	<u>596,474</u>
Total liabilities	<u>\$ 990,011</u>

The accompanying notes are an integral part of these financial statements.

STEPHENS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stephens County, Georgia (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 County's accounting policies are described below.

A. Reporting Entity

Stephens County was created by legislative act on August 19, 1905, and operates under a County Commissioner form of government, providing the following services as authorized by its charter: public safety, highways and streets, health and social services, culture and recreation, court system, public improvements, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Stephens County, Georgia (the "primary government") and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County. In conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statement No. 14, the financial statements of the component unit are discretely presented in the government-wide financial statements.

Discretely Presented Component Unit

The Stephens County Department of Public Health (the "Health Department") is governed by a seven-member board consisting of one member of the County's Board of Commissioners and two members as appointed by the County Commissioners. The County has the authority to modify and approve the Health Department's budget and the ability to approve environmental health service fees. The Health Department has a June 30th year-end and is presented as a governmental fund type component unit.

The Health Department's financial statements can be obtained by writing to the Stephens County Health Department, 222 North Boulevard, Toccoa, Georgia 30577.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. 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 non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *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 expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 governmental funds, proprietary funds, and fiduciary 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.

C. 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 proprietary fund and the fiduciary fund financial statements, except that agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental 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 County considers revenues to be 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 taxes, franchise taxes, licenses, and investment income 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 County.

The County reports the following major governmental funds:

The **General Fund** is the County'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 **Special Purpose Local Option Sales Tax Fund (SPLOST)** is used to account for the revenues and expenditures relating to the 2009 1% Special Purpose Local Option Sales Tax and the 2004 1% Special Purpose Local Option Sales Tax.

The **E-911 Fund** is used to account for the collection of 911 charges associated with wireless bills inside the County. This fund accounts for expenditures related to the operation of the communication center and the upgrade and maintenance of the wireless provider towers.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The County reports the following major proprietary fund:

The ***Solid Waste Management Fund*** is used to account for the receipts from services billed to customers and the payment of costs of collection.

Additionally, the County reports the following fund types:

The ***special revenue funds*** account for revenue sources that are legally restricted to expenditure for specific purposes.

The ***debt service fund*** accounts for the resources accumulated and payments made for principal and interest on long-term debt of the County.

The ***agency funds*** are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals, such as cash bonds, traffic fines, support payments and ad valorem and property taxes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund 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 this same limitation. The County 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. Exceptions to this general rule are charges between the County's solid waste function and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Likewise, general revenues include all taxes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise fund is charges to customers for sales and services provided. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets

Formal budgetary accounting is employed as a management control device for the General Fund and the special revenue funds. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and the following special revenue funds: the Law Library Fund, the Drug Task Force Fund, Sheriff's Department Seized Property Fund, Jail Commissary Fund, the Jail Fund, the Drug Rehabilitation Fund, the Juvenile Supervision Fund, the Hotel/Motel Tax Fund, the Grant Fund, the E911 Fund, and the Water Lines Fund. The same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principle basis. Budgets for Capital Project Funds are adopted on a project basis, spanning more than one fiscal year. The County Commission must approve any amendments to the budget.

All annual appropriations lapse at the end of each fiscal year.

E. Cash and Cash Equivalents

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of general infrastructure assets, the County chose to include all items regardless of their acquisition date. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred. Major outlays for capital improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of assets constructed.

Capital assets of the primary government are depreciated using the straight line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings	50
Vehicles	5 - 10
Machinery and equipment	3 - 50
Infrastructure	40

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amount when employees separate from service with the County. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. 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.

L. Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$5,091,636 difference are as follows:

Note payable	\$ (4,534,940)
Capital leases payable	(424,429)
Debt issuance costs	47,089
Compensated absences	<u>(179,356)</u>

Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (5,091,636)</u></u>
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B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$350,505 difference are as follows:

Capital outlay	\$ 1,945,412
Depreciation expense	<u>(2,295,917)</u>

Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u><u>\$ (350,505)</u></u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$1,210,975 difference are as follows:

Principal repayments:	
Note payable	\$ 1,140,060
Capital leases	74,447
Amortization of debt issuance costs	<u>(3,532)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ 1,210,975</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$28,025 difference are as follows:

Compensated absences	<u>\$ (28,025)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ (28,025)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

A. Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the Department Heads submit to the County Administrator a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The proposed budgets are then submitted to the Board of Commissioners by the County Administrator for study.
2. Public hearings are conducted at regular Commission meetings to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.
3. Prior to July 1, the budget is legally adopted by the Board of Commissioners through the passage of a resolution.
4. Budget amounts can be transferred between line items within any department; however, any revisions of the budget must be approved by the Board of Commissioners.
5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund and the Special Revenue Funds. Additionally, an annual budget is adopted for the SPLOST Fund.
6. The budgets for the General Fund and the following Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are presented in accordance with finance-related legal and contractual provisions: the Law Library Fund, the Drug Task Force Fund, Sheriff's Seized Property Fund, Jail Commissary Fund, the Jail Fund, the Drug Rehabilitation Fund, the Juvenile Supervision Fund, the Grant Fund, the E911 Fund, the Hotel/Motel Tax Fund, and the Water Lines Fund.

Budgeted amounts are as originally adopted on June 24, 2008, or as amended by the Board of Commissioners. The supplementary budgetary appropriations made were not material.

B. Deficit Fund Equity

The Solid Waste Fund had deficit net assets of \$1,490,765 at June 30, 2009. Additionally, the Hotel/Motel Tax Fund had a deficit fund balance of \$2,562.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2009, the County's deposits were properly insured and collateralized as defined by GASB pronouncements and the official code of the State of Georgia.

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2009, the County had the following investments:

Investments	Maturities	Fair Value
Certificate of Deposit	December 31, 2009	\$ 6,860
Certificate of Deposit	March 16, 2010	1,000,000
		\$ 1,006,860

NOTE 5. RECEIVABLES

Receivables at June 30, 2009, for the County's individual major and nonmajor funds in the aggregate are as follows:

	General Fund	SPLOST Fund	E911 Fund	Nonmajor and Other Funds	Solid Waste Management Fund	Total
Receivables:						
Taxes	\$ 359,665	\$ -	\$ -	\$ 11,414	\$ -	\$ 371,079
Other governments	337,702	442,954	-	748	-	781,404
Accounts	55,579	7,986	40,276	-	27,185	131,026
Gross receivables	752,946	450,940	40,276	12,162	27,185	1,283,509
Less allowance for uncollectibles	-	-	-	-	(23,068)	(23,068)
Net receivables	\$ 752,946	\$ 450,940	\$ 40,276	\$ 12,162	\$ 4,117	\$ 1,260,441

Property taxes were levied on September 15, 2008. Bills are payable on or before November 15, 2008, after which the applicable property is subject to lien. The County bills and collects its own property taxes. Property taxes levied for 2009 are recorded as receivables. The receivables collected during the year ended June 30, 2009, and collected by August 31, 2009, are recognized as revenues in the year ended June 30, 2009.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES (CONTINUED)

Net receivables estimated to be collected subsequent to August 31, 2009 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes attached as an enforceable lien on property as of February 13, 2009.

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,075,841	\$ -	\$ -	\$ -	\$ 1,075,841
Construction in progress	12,737,810	1,669,103	-	(11,786,044)	2,620,869
Total capital assets, not being depreciated	<u>13,813,651</u>	<u>1,669,103</u>	<u>-</u>	<u>(11,786,044)</u>	<u>3,696,710</u>
Capital assets, being depreciated:					
Infrastructure	57,524,987	-	-	266,738	57,791,725
Buildings	14,281,044	44,251	-	11,289,695	25,614,990
Machinery and equipment	3,634,204	143,140	(2,684)	-	3,774,660
Vehicles	2,484,965	88,918	-	229,611	2,803,494
Total capital assets, being depreciated	<u>77,925,200</u>	<u>276,309</u>	<u>(2,684)</u>	<u>11,786,044</u>	<u>89,984,869</u>
Less accumulated depreciation for:					
Infrastructure	17,420,910	1,444,793	-	-	18,865,703
Buildings	5,367,827	363,698	-	-	5,731,525
Machinery and equipment	2,369,675	352,250	(2,684)	-	2,719,241
Vehicles	1,856,308	135,176	-	-	1,991,484
Total accumulated depreciation	<u>27,014,720</u>	<u>2,295,917</u>	<u>(2,684)</u>	<u>-</u>	<u>29,307,953</u>
Total capital assets, being depreciated, net	<u>50,910,480</u>	<u>(2,019,608)</u>	<u>-</u>	<u>11,786,044</u>	<u>60,676,916</u>
Governmental activities capital assets, net	<u>\$ 64,724,131</u>	<u>\$ (350,505)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,373,626</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 244,400	\$ -	\$ -	\$ 244,400
Total capital assets not being depreciated	<u>244,400</u>	<u>-</u>	<u>-</u>	<u>244,400</u>
Capital assets, being depreciated:				
Buildings	56,903	-	-	56,903
Machinery and equipment	516,782	-	-	516,782
Vehicles	31,980	-	-	31,980
Total capital assets, being depreciated	<u>605,665</u>	<u>-</u>	<u>-</u>	<u>605,665</u>
Less accumulated depreciation for:				
Buildings	20,290	1,138	-	21,428
Machinery and equipment	479,328	17,260	-	496,588
Vehicles	30,930	414	-	31,344
Total accumulated depreciation	<u>530,548</u>	<u>18,812</u>	<u>-</u>	<u>549,360</u>
Total capital assets being depreciated, net	<u>75,117</u>	<u>(18,812)</u>	<u>-</u>	<u>56,305</u>
Business-type activities capital assets, net	<u>\$ 319,517</u>	<u>\$ (18,812)</u>	<u>\$ -</u>	<u>\$ 300,705</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

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

Governmental activities:

General government	\$ 116,054
Judicial	7,441
Public safety	371,942
Public works	1,587,711
Health and welfare	102,088
Culture and recreation	110,681
Total depreciation expense - governmental activities	<u><u>\$ 2,295,917</u></u>

Business-type activities:

Solid waste management	<u><u>\$ 18,812</u></u>
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B. Discretely Presented Component Unit – Department of Public Health

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ 19,412	\$ -	\$ -	\$ 19,412
Total capital assets, being depreciated	19,412	-	-	19,412
Less accumulated depreciation for:				
Machinery and equipment	14,651	953	-	15,604
Total accumulated depreciation	14,651	953	-	15,604
Total capital assets, net	<u>\$ 4,761</u>	<u>\$ (953)</u>	<u>\$ -</u>	<u>\$ 3,808</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 498,876	\$ -	\$ (74,447)	\$ 424,429	\$ 424,429
Note payable	5,675,000	-	(1,140,060)	4,534,940	340,120
Compensated absences	<u>151,331</u>	<u>139,878</u>	<u>(111,853)</u>	<u>179,356</u>	<u>132,438</u>
Governmental activities long-term liabilities	<u>\$ 6,325,207</u>	<u>\$ 139,878</u>	<u>\$ (1,326,360)</u>	<u>\$ 5,138,725</u>	<u>\$ 896,987</u>
Business-type Activities:					
Compensated absences	\$ 6,929	\$ 4,304	\$ (4,902)	\$ 6,331	\$ 4,675
Landfill closure/postclosure	<u>1,365,100</u>	<u>873,707</u>	<u>(459,946)</u>	<u>1,778,861</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,372,029</u>	<u>\$ 878,011</u>	<u>\$ (464,848)</u>	<u>\$ 1,785,192</u>	<u>\$ 4,675</u>

For governmental funds, compensated absences are liquidated by the General Fund and E-911 Fund. For business-type activities, compensated absences are liquidated by the Solid Waste Management Fund.

Capital Leases. The County has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and have been recorded at the present value of the future minimum lease payments as of the inception dates.

The cost and related accumulated depreciation of assets under capital leases as of June 30, 2009 is as follows:

	<u>Governmental Activities</u>
Equipment	\$ 730,250
Less accumulated depreciation	(329,520)
	<u>\$ 400,730</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

The County's total capital lease debt service requirements to maturity are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 432,015
Less amount representing interest	7,586
Present value of future minimum lease payments	<u>\$ 424,429</u>

Note Payable. The County entered into an installment sales agreement in October 2007 for the purpose of providing funding for a new jail facility. The total amount of funding provided was \$7,100,000. Payments are due monthly beginning November 2007 through October 2022 with interest at 3.93%.

Debt service requirements to maturity at June 30, 2009 for this note payable are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 340,120	\$ 174,439	\$ 514,559
2011	340,120	160,946	501,066
2012	340,120	147,790	487,910
2013	340,120	133,841	473,961
2014	340,120	120,289	460,409
2015 - 2019	1,700,602	398,403	2,099,005
2020 - 2023	1,133,738	77,307	1,211,045
Total	<u>\$ 4,534,940</u>	<u>\$ 1,213,015</u>	<u>\$ 5,747,955</u>

Landfill postclosure costs. State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, which is expected to occur in 2019, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. While the total estimated liability for closure and postclosure care is \$1,998,720 at June 30, 2009, the cumulative amount of the liability at June 30, 2009 based on the use of approximately 89% of the landfill is \$1,778,861. The County will recognize the remaining estimated cost of closure and postclosure care of \$219,859 as the remaining estimated capacity is filled.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Landfill postclosure costs (continued). These costs are based on what it would cost to perform all closure and postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Should any problems occur during this period, the costs and time period required for maintenance and monitoring functions may increase.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor governmental funds	\$ 13,696
General Fund	E911 Fund	451,929
General Fund	SPLIST Fund	140,752
General Fund	Solid Waste Management Fund	229,390
		\$ 835,767

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 27,880
Solid Waste Management Fund	General Fund	248,135
E911 Fund	General Fund	357,464
		\$ 633,479

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED CONTRIBUTION PENSION PLAN

The County participates in the Stephens County Pension Plan and Trust, a defined contribution plan, administered primarily by the Minnesota Mutual Insurance Company. The Plan provides retirement benefits to plan participants and beneficiaries. Employee vesting in the County's contributions to the plan is based on a five-year graded vesting schedule. The County contributes an amount equal to 10% of the plan year covered compensation of all qualifying participants which totaled 101 for the year ending June 30, 2009. For the fiscal year ending June 30, 2009, the County's contribution to the Plan was \$318,281. Employee voluntary contributions are not allowed under provisions of the plan.

Total covered payroll	\$3,182,810
Total County payroll	\$4,709,107

	<u>Amount</u>	<u>Percent of covered payroll</u>
Contribution requirement by County	\$318,281	10%
Contributions made by County	\$318,281	10%

The Pension Plan, as established, does not recognize prior service cost as it is based exclusively on current compensation of all participants. To participate, the employee must have a year of service and not have waived participation in the County's Plan in order to participate in another plan. The plan was established by resolution of the Board of Commissioners and may be amended in the same manner.

The County has established two deferred compensation plans under Internal Revenue Code Section 457(g) and covers substantially all eligible employees. The County's fiduciary responsibilities are limited to acting as sponsor of the Plan and as an agent for its participants with respect to contributions and disbursements of benefits. The County has appointed an outside administrator for the plan. The County does not meet the criteria in GASB 32 to report the Section 457 Plan; therefore, the Section 457 Plan is not reported in these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN - COMPONENT UNIT

All employees of the Health Department participate in the Georgia State Employees Retirement System (ERS), a statewide multi-employer public employee retirement system covering employees of local boards of health and various agencies and departments of the State of Georgia. ERS is funded through employer and employee contributions and the Health Department has no legal obligation for paying benefits. The Plan is administered by the State of Georgia, and accumulated benefits and Plan assets are not determined or allocated to the individual participating governmental entities.

All full-time employees who are hired for Merit System classified positions are eligible to participate in ERS. Participants have a partial vested right to retirement benefits after 10 years of service and become fully vested after 34 years of service.

The Health Department contributes 10.41% of the eligible employees' gross earnings. During the year, the Health Department contributed \$29,790. Contributions by employees are withheld by the Health Department. Such withholdings totaled \$4,289 during the year and were paid by the Health Department. The Health Department has no other liability under the plan. The Health Department's total payroll for all employees during the year was \$298,501 and all of this amount related to employees covered by the retirement plan.

Ten-year historical trend information and relevant actuarial information may be obtained from the Employee's Retirement System of Georgia, which issues a publicly available financial report that includes financial statements and required supplementary information for ERS. That report may be obtained by writing to the Employees' Retirement System, Two Northside 75, Suite 300, Atlanta, Georgia 30318-7778 or calling 1-404-352-6400.

NOTE 11. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which, except as described in the following paragraph, the County carries commercial insurance in amounts deemed prudent by County management.

The County participates in the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Association of County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

As part of these risk pools, the County is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pools' agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

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

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The County is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the County.

The County has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, County management believes such disallowances, if any, will not be significant.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended June 30, 2009, the County paid \$17,681 in such dues. Membership in the RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions in Georgia.

The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional development commission. Separate financial statements may be obtained from:

Georgia Mountains Regional Development Center
1310 West Ridge Road
Gainesville, GA 30501

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Jail Fund is used to account for the expenditures made towards maintenance and operations of the County jail.

Water Lines Fund is used to account for the SPLOST II funds which remain unspent and the interest which they earn. The expenditures for this account are specifically related to work being done on the water lines throughout the County.

Juvenile Supervision Fund is used to account for the collection of certain penalties associated with foster children and for the expenditures related to care and assistance for those children.

Drug Rehabilitation Fund is used to account for collection of additional penalties for certain drug related crimes and for expenditures of those funds for drug abuse treatment and education programs.

Sheriff's Seized Property Fund is used to account for confiscated cash seizures by Stephens County law enforcement from drug related crimes. Funds may be used for any public safety purpose except salaries of law enforcement personnel.

Drug Task Force Fund accounts for the match portion of the membership to the local federal agencies.

Jail Commissary Fund is used to account for proceeds from jail inmate commissary sales.

Hotel/Motel Tax Fund is used to account for the collection of hotel and motel taxes within the County and for the expenditures made distributing the collections to the appropriate entities.

Law Library Fund is used to account for revenues generated through special filing charges in the County court system which are used to acquire and maintain library materials.

Grant Fund is used to account for the collection and expenditures of various federal and state grants received by the County.

STEPHENS COUNTY, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Special Revenue Funds					
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Sheriff's Seized Property Fund	Drug Task Force Fund
ASSETS						
Cash and cash equivalents	\$ 102,966	\$ 117,871	\$ 3,089	\$ 243,791	\$ -	\$ 368
Taxes receivable	-	-	-	-	-	-
Due from other governments	748	-	-	-	-	-
Total assets	\$ 103,714	\$ 117,871	\$ 3,089	\$ 243,791	\$ -	\$ 368
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 14,446	\$ -	\$ -	\$ 28,389	\$ -	\$ -
Due to other funds	6,708	-	-	-	-	-
Total liabilities	21,154	-	-	28,389	-	-
FUND BALANCES						
Reserved for:						
Capital improvements	-	117,871	-	-	-	-
Unreserved, undesignated (deficit)	82,560	-	3,089	215,402	-	368
Total fund balances	82,560	117,871	3,089	215,402	-	368
Total liabilities and fund balances	\$ 103,714	\$ 117,871	\$ 3,089	\$ 243,791	\$ -	\$ 368

<u>Jail Commissary Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Law Library Fund</u>	<u>Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 12,587	\$ -	\$ 59,893	\$ -	\$ 540,565
-	11,414	-	-	11,414
-	-	-	-	748
<u>\$ 12,587</u>	<u>\$ 11,414</u>	<u>\$ 59,893</u>	<u>\$ -</u>	<u>\$ 552,727</u>
\$ -	\$ 6,988	\$ 196	\$ -	\$ 50,019
-	6,988	-	-	13,696
-	13,976	196	-	63,715
-	-	-	-	117,871
12,587	(2,562)	59,697	-	371,141
<u>12,587</u>	<u>(2,562)</u>	<u>59,697</u>	<u>-</u>	<u>489,012</u>
<u>\$ 12,587</u>	<u>\$ 11,414</u>	<u>\$ 59,893</u>	<u>\$ -</u>	<u>\$ 552,727</u>

STEPHENS COUNTY, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Special Revenue Funds					
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Sheriff's Seized Property Fund	Drug Task Force Fund
Revenues:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	49,775	-	715	29,558	-	54
Interest income	576	455	12	535	-	3
Total revenues	<u>50,351</u>	<u>455</u>	<u>727</u>	<u>30,093</u>	<u>-</u>	<u>57</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Judicial	-	-	9,990	-	-	-
Public safety	96,258	-	-	-	1,110	1,120
Health and welfare	-	-	-	28,390	-	-
Culture and recreation	-	-	-	-	-	-
Total expenditures	<u>96,258</u>	<u>-</u>	<u>9,990</u>	<u>28,390</u>	<u>1,110</u>	<u>1,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,907)</u>	<u>455</u>	<u>(9,263)</u>	<u>1,703</u>	<u>(1,110)</u>	<u>(1,063)</u>
Other financing (uses):						
Transfers out	-	-	-	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(45,907)	455	(9,263)	1,703	(1,110)	(1,063)
Fund balances beginning of year	<u>128,467</u>	<u>117,416</u>	<u>12,352</u>	<u>213,699</u>	<u>1,110</u>	<u>1,431</u>
Fund balances (deficit), end of year	<u>\$ 82,560</u>	<u>\$ 117,871</u>	<u>\$ 3,089</u>	<u>\$ 215,402</u>	<u>\$ -</u>	<u>\$ 368</u>

Jail Commissary Fund	Hotel/Motel Tax Fund	Law Library Fund	Grant Fund	Total Nonmajor Governmental Funds
\$ -	\$ 50,338	\$ -	\$ -	\$ 50,338
-	-	100	14,697	14,797
76,740	-	-	-	76,740
-	-	23,251	-	103,353
-	-	224	-	1,805
<u>76,740</u>	<u>50,338</u>	<u>23,575</u>	<u>14,697</u>	<u>247,033</u>
-	-	-	14,231	14,231
-	-	72,641	-	82,631
75,870	-	-	8,500	182,858
-	-	-	5,980	34,370
-	25,020	-	-	25,020
<u>75,870</u>	<u>25,020</u>	<u>72,641</u>	<u>28,711</u>	<u>339,110</u>
<u>870</u>	<u>25,318</u>	<u>(49,066)</u>	<u>(14,014)</u>	<u>(92,077)</u>
-	(27,880)	-	-	(27,880)
-	(27,880)	-	-	(27,880)
870	(2,562)	(49,066)	(14,014)	(119,957)
<u>11,717</u>	<u>-</u>	<u>108,763</u>	<u>14,014</u>	<u>608,969</u>
<u>\$ 12,587</u>	<u>\$ (2,562)</u>	<u>\$ 59,697</u>	<u>\$ -</u>	<u>\$ 489,012</u>

STEPHENS COUNTY, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL
OPTION SALES TAX PROCEEDS - 2009 ISSUE
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
Sewer projects	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -
Hayestone-Brady Park Project	7,000,000	7,000,000	-	-	-
Construction of fire building	3,500,000	3,500,000	-	3,594	3,594
Purchase of sheriff vehicles	420,000	420,000	-	-	-
Road improvements	2,260,000	2,260,000	-	38,152	38,152
Airport terminal project	1,200,000	1,200,000	-	-	-
Farmer market project	100,000	100,000	-	102,600	102,600
Recreation project	700,000	700,000	-	-	-
Fueling station	200,000	200,000	-	2,465	2,465
	<u>\$ 16,380,000</u>	<u>\$ 16,380,000</u>	<u>\$ -</u>	<u>\$ 146,811</u>	<u>\$ 146,811</u>

STEPHENS COUNTY, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL
OPTION SALES TAX PROCEEDS - 2004 ISSUE
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
Acquisition, construction and equipping of new County jail	\$ 7,221,788	\$ 7,221,788	\$ 6,208,858	\$ 294,482	\$ 6,503,340
Renovation and equipping of historic courthouse	2,104,834	2,104,834	1,428,011	905,528	2,333,539
Acquisition, construction and equipping of enhanced 911 facility	1,896,870	1,896,870	1,896,870	-	1,896,870
Purchase of EMS vehicles	530,000	530,000	310,303	220,100	530,403
Road and bridge improvements	561,508	561,508	459,892	119,307	579,199
City of Toccoa (20.548%)	<u>3,185,000</u>	<u>3,185,000</u>	<u>1,427,616</u>	<u>-</u>	<u>1,427,616</u>
	<u>\$ 15,500,000</u>	<u>\$ 15,500,000</u>	<u>\$ 11,731,550</u>	<u>\$ 1,539,417</u>	<u>\$ 13,270,967</u>

AGENCY FUNDS

Tax Commissioner – This fund is used to account for all real, personal and intangible taxes collected and forwarded to the County and other government units.

Sheriff – This fund is used to account for collection of fees, proceeds from judicial sales, and cash bonds, which are disbursed to other agencies, the County, and individuals.

Probation Office – This fund is used to account for collection of probation fees, fines and restitution, which are disbursed to other agencies, the County, and individuals.

Jail Inmate – This fund is used to account for jail inmate funds while in custody and for purchases from the jail commissary by inmates.

The following agency funds are used to account for fines, fees and other moneys collected by the courts and remitted to other parties in accordance with court orders and state law:

Clerk of Courts
Probate Court
Magistrate Court

STEPHENS COUNTY, GEORGIA

COMBINING BALANCE SHEET AGENCY FUNDS JUNE 30, 2009

<u>ASSETS</u>	<u>Tax Commissioner</u>	<u>Clerk of Courts</u>	<u>Probate Court</u>	<u>Magistrate Court</u>
Cash and cash equivalents	\$ 181,678	\$ 60,076	\$ 1,166	\$ 87,730
Taxes receivable	596,474	-	-	-
Accounts receivable	-	-	-	-
Total assets	<u>\$ 778,152</u>	<u>\$ 60,076</u>	<u>\$ 1,166</u>	<u>\$ 87,730</u>
 <u>LIABILITIES</u>				
Due to others	\$ 181,678	\$ 60,076	\$ 1,166	\$ 87,730
Uncollected taxes	596,474	-	-	-
Total liabilities	<u>\$ 778,152</u>	<u>\$ 60,076</u>	<u>\$ 1,166</u>	<u>\$ 87,730</u>

<u>Sheriff</u>	<u>Jail Inmate</u>	<u>Probation Office</u>	<u>Total</u>
\$ -	\$ 5,757	\$ 56,510	\$ 392,917
-	-	-	596,474
-	620	-	620
<u>\$ -</u>	<u>\$ 6,377</u>	<u>\$ 56,510</u>	<u>\$ 990,011</u>
\$ -	\$ 6,377	\$ 56,510	\$ 393,537
-	-	-	596,474
<u>\$ -</u>	<u>\$ 6,377</u>	<u>\$ 56,510</u>	<u>\$ 990,011</u>

COMPLIANCE SECTION

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

**Board of Commissioners
of Stephens County, Georgia
Toccoa, Georgia**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Stephens County, Georgia for the year ended June 30, 2009, and have issued our report thereon dated December 22, 2009. We did not audit the financial statements of the Stephens County Department of Public Health. Those financial statements were audited by other auditors whose reports have been furnished to us. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stephens County, Georgia's internal control over financial reporting as a basis for designing our auditing 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 the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stephens County, Georgia's financial statements are free of material misstatement, we performed tests of its 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 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 the management of Stephens County, Georgia in a separate letter dated December 22, 2009.

Stephens County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Stephens County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board of Commissioners of Stephens County, Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
December 22, 2009

STEPHENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2009

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2009 due to the total amount expended being less than \$500,000.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

09-1. Segregation of Duties (Repeat finding)

Criteria: Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: Appropriate segregation of duties does not exist between recording, distribution, reconciliation of cash accounts and other operational functions in various areas of County operations, including the offices of elected officials (Tax Commissioner, Clerk of Court, Probate Court, Magistrate Court and the Probation Office), the Recreation Department, the Landfill, the Law Library and the County's Finance Department.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Effect: Failure to properly segregate duties between recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

STEPHENS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

09-1. Segregation of Duties (Repeat finding)

Effect: Failure to properly segregate duties between recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Cause: The failure to properly segregate duties is due to the limited number of individuals available in each office to perform each of the duties.

Recommendation: The duties of recording, distribution, approving, writing and signing of checks, and reconciliation of accounts should be segregated among employees.

Views of Responsible Officials: We concur. The offices listed above are in the process of reviewing their respective systems to evaluate and determine the most efficient and effective solution to properly segregate duties among recording, distribution, and reconciliation of accounts to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

STEPHENS COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

STATUS OF PRIOR YEAR AUDIT FINDINGS

08-1. Special Revenue Fund Budgets

Criteria: House Bill 1364 of the 1998 session of the Georgia General Assembly requires an annual balanced budget for the General Fund, each special revenue fund, and each debt service fund and requires a project length balanced budget for each capital projects fund.

Condition: For the fiscal year ending June 30, 2008, an annual budget was not adopted for the Law Library Fund in accordance with the Official Code of Georgia (OCGA) Sections 36-81-2.

Auditee Response/Status: For the fiscal year ended June 30, 2009, this finding was resolved.

08-2. Segregation of Duties

Criteria: Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: For the fiscal year ended June 30, 2008, there were not appropriate segregation of duties between recording, distribution, reconciliation of cash accounts and other operational functions in the offices of the elected officials and the various funds possessed by the County.

Auditee Response/Status: Unresolved. See current year finding 09-1.

08-3. Taxes Receivable and Related Revenue

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: For the fiscal year ended June 30, 2008, the County did not appropriately record all transactions involving property tax revenues and receivables.

Auditee Response/Status: For the fiscal year ended June 30, 2009, this finding was resolved.