WARREN COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2004

BERRY & ASSOCIATES, P.C.

Certified Public Accountants

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WARREN COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2004

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WARREN COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

The discussion and analysis of Warren County's financial performance provides an overview and analysis of the County's financial activities for the fiscal year ended June 30, 2004. This discussion and analysis does not include comparative data for prior years, as this information is not available for the first year of implementation of Governmental Accounting Standards Board (GASB) Statement Number 34. Future years will include, when available, comparative analysis of government-wide data.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the fiscal year ending June 30, 2004 by $60 million in net assets, of that amount $1.1 million (unrestricted net assets) may be used to meet the government's on going obligations to the citizens and creditors.

- The County's total net assets increased by $336,790 for the year ended June 30, 2004. The increase in net assets was due primarily from a One Georgia Grant of $500,000 used as a loan from the county to assist an industry to locate within the county.

- As of June 30, 2004 the County's governmental fund reported combined ending fund balances of $3,516,515, an increase of $572,518 in comparison with the prior year.

- While the General fund balance declined $53,168 for the year ended June 30, 2004, the fund balances of the Special Revenue Sales tax and other funds had a net increase of $625,686 during the same period.

- The County's total debt increased $85,246 during the current year. The debt arises from the capital leases for the purchase of an ambulance for EMS and a vehicle for the Sheriff's Department.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to Warren County's basic financial statements. The County's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and 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 Warren County's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of Warren 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. The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the County's property tax base and the condition of the County's infrastructure (i.e. roads, drainage improvements, and storm drains, etc.), to assess the overall health or financial condition of the County. The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the County is divided into three kinds of activities:

- Governmental activities - Most of the County's basic services are reported here, including the police, fire, libraries, transportation, parks and recreation, and general administration. Property taxes, sales taxes, insurance premium taxes, and franchise fees finance most of these activities.

- Business type activities - The County is in the developmental stage for providing water services to the certain portion of the County. Once the County completes the construction of the water system infrastructure, the County will charge fees to customers to help it cover all or most of the cost of services it provides. The County's water system will be reported here.

- Component units - The County includes two separate legal entities in its report - Warren County Development Authority, Inc, and Warren Health Program. Although legally separate, these component units are important because the County is financially accountable for them.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by state law. However, the County establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The County's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

- Governmental funds - The majority of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financing decisions. The relationships or difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

Reporting the County's Most Significant Funds (Continued)

Fund Financial Statements (Continued)

Warren County maintains fifteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, and the seven sales tax funds, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these major and nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds - The proprietary fund (water fund) is in the developmental stage. When the water system infrastructure is completed the County will maintain an individual enterprise fund. The County will use the enterprise fund to account for its water operation. The fund will provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water operations, and is considered to be a major fund of the County. The County will charge customers for the service it will provide. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The County as Trustee

Reporting the County's Responsibilities

Fiduciary funds - Fiduciary funds, which consist solely of trust and agency funds, are used to account for resources held for the benefit of parties within and outside the County. Fiduciary funds are *not* included in the government-wide financial statements because the resources are *not* available to support the County's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary funds financial statements can be found on pages 20-23 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 32 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to the employees, budgetary comparative information for the general fund and infrastructure modified approach.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year the County has presented its financial statements under the new reporting model required by GASB 34. Because this reporting model changes significantly both the recording and presentation of financial data, the County has not restated the prior fiscal year for the purpose of providing comparative information for MD&A. In future years, when prior year information is available, a comparative analysis of government-wide data will be included in this report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $60 million at the close of the current fiscal year.

By far the largest portion of the County's net assets (94 percent) 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 liquidated these liabilities.

Summary of Net Assets
June 30, 2004
(Amounts Expressed in Millions)

	Governmental Activities	Business type Activities	Total Primary Government
Current and other assets	$ 3.63	$ 0.0	$ 3.63
Capital assets	56.71	0.8	56.79
Total assets	60.34	0.8	60.42
Long term liabilities outstanding	0.08	0.0	0.08
Other liabilities	0.08	0.8	0.16
Total liabilities	0.16	0.8	0.24
Net assets:			
Invested in capital assets, Net of related debt	56.62	0.0	56.62
Restricted	2.16	0.0	2.16
Unrestricted	1.40	0.0	1.40
Total assets	$ 60.18	$ 0.0	$ 60.18

Governmental Activities

The County's general revenues increased when compared to the prior year by 12 percent or 0.4 million. The primary reason for this increase was due to a $0.5 million One Georgia Grant to be used as a loan to assist an industry to locate within the County.

The most significant governmental expense for the County was in providing for public safety, which incurred expenses of $1.2 million. These expenses were offset by revenues collected from a variety of sources, with the largest being from fines and forfeitures, which are $0.4 million for the fiscal year ending June 30, 2004. The major components of public safety are sheriff and fire. Sheriff accounted for $0.6 million in public safety expenses. Fire, ambulance and 911 accounted for $0.5 million in public safety expenses. Other significant governmental expenses for the County include public works at $0.6 million.

There were no business-type activities during the year, other than engineering and design cost capitalized in the construction in progress asset account. The County's water system is in the developmental and design stage and when the system becomes operational, activities will be discussed at that time.

General Revenues

	2004	2003	(Decrease)
Taxes	$ 2,023,453	$ 2,028,781	$ (5,328)
Interest income	39,890	78,996	(39,106)
Unrestricted grant	500,000	0	500,000
Total general revenues	$ 2,563,343	$ 2,107,777	$ 455,566

Governmental and business type activities increased the County's net assets by $336,790. The key elements of this increase are as follows:

Changes in Net Assets

	Governmental Activities 2004	Business type Activities 2004	Total 2004
Revenues:			
Program Revenues:			
Charges for services	$ 1,080,509	$ 0	$ 1,080,509
Operating grants and contributions	26,053	0	26,053
General revenues:			
Taxes	1,771,403	0	1,771,403
Sales Tax	252,050	0	252,050
Unrestricted grants	500,000	0	500,000
Other	44,877	0	44,877
Total Revenues	3,674,892	0	3,674,892
Expenses:			
General government	725,659	0	725,659
Public safety	1,183,476	0	1,183,476
Judicial	285,879	0	285,879
Public works	585,442	0	585,442
Sanitation	238,937	0	238,937
Health & welfare	211,958	0	211,958
Culture & recreation	46,751	0	46,751
Total expenses	3,278,102	0	3,278,102
Increase in net assets before transfers	396,790	0	396,790
Transfers out to component unit	(60,000)	0	(60,000)
Increase in net assets	336,790	0	336,790
Net assets, July 1	59,843,558	0	59,843,558
Net assets, June 30	$ 60,180,348	0	$ 60,180,348

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004, the County had nearly $56.7 million invested in a broad range of capital assets, including sheriff and fire equipment, buildings, park facilities, roads, and bridges. This amount represents an increase of $279,380 in capital assets during the fiscal year with the exclusion of depreciation.

Capital Assets and Year end

	Governmental Activities	Business type Activities	Total
Land	$ 426,839	$ 0	$ 426,839
Buildings improvements	5,070,297	0	5,070,297
Buildings improvements	4,266,811	0	4,266,811
Buildings improvements	49,297,500	0	49,297,500
Construction in progress Water system	0	85,403	85,403
Total	59,061,447	85,403	59,146,850
Less accumulated depreciation	(2,357,190)	0	(2,357,190)
This year major additions were:	$ 56,704,257	$ 85,403	$56,789,660
Construction in progress (water system)		$ 85,403	
Building and improvements		77,250	
Vehicle and equipment		116,727	
		$ 279,380	

Debt

As of June 30, 2004 the County's only outstanding debt was two capital leases totaling $85,246. See Note VI for details of the future minimum lease payments

General Fund Budgetary Highlights

Difference between the actual budget and the final amended budget was an increase of $44,149. Of this amount $11,149 was the increase in insurance taxes and other revenues of $33,000. General fund revenues exceeded the budgeted revenue by $64,194. The increase was primarily for various taxes collected. General fund expenditures exceeded budgeted expenditures by $138,302.

Economic Factors and Next Year's Budgets and Rates

The County's elected and appointed officials consider many factors when setting the fiscal year 2005 budget, property tax rates, expected insurance premium tax and various fees that will be collected. One of the factors is the economy. The state economy has had an impact on sales tax revenues and with the loss of one of its industries, the Board of Commissioners has been actively pursuing other industries to locate within the County.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Board of Commissioners of Warren County, at P.O. Box 46, Warrenton, Georgia 30828.

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INDEPENDENT AUDITOR'S REPORT

Warren County Board of Commissioners
Warren County, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Warren County, Georgia, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Warren County, Georgia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Warren County, Georgia, as of and for the year ended June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2004, on our consideration of Warren County, Georgia internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for state and Local Governments, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison, pension and other information on pages 3 through 10 and 53 through 56, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

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We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Warren County, Georgia's basic financial statements. The introductory section, combining and individual major and nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not required part of the basic financial statement. The combining individual major and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements take as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Berry & Associates P.C.

December 28, 2004

WARREN COUNTY, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current assets				
Cash & cash equivalents	$ 2,813,905	$ 0	$ 2,813,905	$ 160,009
Receivables, net				
Taxes	44,822	0	44,822	0
Accounts/notes	494,466	0	494,466	14,144
Other	52,821	0	52,821	0
Due from other governments	145,506	0	145,506	0
Internal balances	85,403	(85,403)	0	0
Restricted assets				
Certificate of deposit	0	0	0	507,001
Receivables	0	0	0	34,160
Total current assets	3,636,923	(85,403)	3,551,520	715,314
NONCURRENT ASSETS				
Capital assets				
Land	426,839	0	426,839	282,399
Buildings & improvements	5,070,297	0	5,070,297	499,265
Vehicle & equipment	4,266,811	0	4,266,811	64,068
Infrastructure	49,297,500	0	49,297,500	0
Construction in progress	0	85,403	85,403	0
Less accumulated depreciation	(2,357,190)	0	(2,357,190)	(329,314)
Total noncurrent assets	56,704,257	85,403	56,789,660	516,418
Total assets	$ 60,341,180	$ 0	$ 60,341,180	$ 1,231,732

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current liabilities				
Accounts payable	$ 20,055	$ 0	$ 20,055	$ 10,151
Accrued expenses	26,245	0	26,245	0
Due to other governments	29,286	0	29,286	0
Current portion of long-term debt	20,921	0	20,921	24,504
Total current liabilities	96,507	0	96,507	34,655
LONG TERM LIABILITIES				
Long term debt, net of current portion	64,325	0	64,325	707,035
Total long term liabilities	64,325	0	64,325	707,035
Total liabilities	160,832	0	160,832	741,690
Net assets				
Invested in capital assets related debt	56,619,011	0	56,619,011	336,571
Restricted for:				
Capital projects	1,970,960	0	1,970,960	0
Special revenue funds	185,571	0	185,571	7,696
Unrestricted	1,404,806	0	1,404,806	145,775
Total net assets	$ 60,180,348	$ 0	$ 60,180,348	$ 490,042

The notes to the financial statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Primary Government	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Functions/Programs									
Governmental Activities									
General government	$ 725,659	$ (24,443)	$ 112,326	$ 0	$ 0	$ (588,890)	$ 0	$ (588,890)	$ 0
Public safety	1,183,476	12,449	386,238	23,053	0	(786,634)	0	(786,634)	0
Judicial	285,879	6,592	303,753	0	0	11,282	0	11,282	0
Public works (highways & streets)	585,442	2,193	176,755	0	0	(410,880)	0	(410,880)	0
Sanitation	238,937	1,774	10,472	0	0	(230,239)	0	(230,239)	0
Health & welfare	211,958	1,056	55,282	0	0	(157,732)	0	(157,732)	0
Culture & recreation	46,751	379	35,683	3,000	0	(8,447)	0	(8,447)	0
Total Governmental Activities	3,278,102	0	1,080,509	26,053	0	(2,171,540)	0	(2,171,540)	0
Business Type Activities									
Water	0	0	0	0	0	0	0	0	0
Total Business Type Activities	0	0	0	0	0	0	0	0	0
Total Primary Government	$ 3,278,102	$ 0	$ 1,080,509	$ 26,053	$ 0	(2,171,540)	0	(2,171,540)	0
Warren County Development Authority	$ 51,923	$ 0	$ 32,004	$ 0	$ 170,400	0	0	0	150,481
Warren County Health Department	235,645	0	23,584	177,094	0	0	0	0	(34,967)
Total Component Units	$ 287,568	$ 0	$ 55,588	$ 177,094	$ 170,400	0	0	0	115,514
General revenues									
Taxes									
Property taxes						1,771,403	0	1,771,403	0
Sales taxes						252,050	0	252,050	0
Grants not restricted to specific programs						500,000	0	500,000	0
Unrestricted investment earnings						31,981	0	31,981	32,400
Other						12,896	0	12,896	40,000
Transfers						(60,000)	0	(60,000)	60,000
Total general revenues and transfers						2,508,330	0	2,508,330	132,400
Change in net assets						336,790	0	336,790	247,914
Net Assets - beginning						59,843,558	0	59,843,558	242,128
Net Assets - ending						$ 60,180,348	$ 0	$ 60,180,348	$ 490,042

The notes to the financial statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

ASSETS:	General	1997 Sales Tax	2002 Sales Tax	Other Governmental Funds	Total Governmental Units
Cash and cash equivalents	$ 1,117,788	$ 1,102,285	$ 281,494	$ 312,338	$ 2,813,905
Investments	0	0	0	0	0
Receivables net of allowance					
Taxes	44,822	0	0	0	44,822
Accounts & notes	109,667	0	0	384,799	494,466
Due from other funds	0	37,073	37,587	0	74,660
Due from other governments	54,717	0	90,790	0	145,507
Due from others	137,269	0	0	954	138,223
Total assets	$ 1,464,263	$ 1,139,358	$ 409,871	$ 698,091	$ 3,711,583
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	$ 20,055	$ 0	$ 0	$ 0	$ 20,055
Accrued expenses	26,245	0	0	0	26,245
Due to other funds	2,210	0	72,450	0	74,660
Due to other governments	10,946	0	18,340	0	29,286
Deferred revenue	44,822	0	0	0	44,822
Total liabilities	104,278	0	90,790	0	195,068
Fund balance					
Reserve for capital projects	0	1,139,358	319,081	0	1,458,439
Reserve for special revenue funds	0	0	0	698,091	698,091
Undesignated	1,359,985	0	0	0	1,359,985
Total fund balance	1,359,985	1,139,358	319,081	698,091	3,516,515
Total Liabilities and fund balance	$ 1,464,263	$ 1,139,358	$ 409,871	$ 698,091	$ 3,711,583

The notes to the financial statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total fund balances - Governmental funds	$ 3,516,515
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 as assets in the funds	56,704,257
Long term liabilities including capital leases are not due and payable in the current period and therefore, are not reported in the funds	(85,246)
Certain tax revenue that was earned and accrued in the current period but not received after 60 days is deferred in the fund statement but recognized under full accrual	44,822
Net assets of governmental activities	$ 60,180,348

The Notes to Financial Statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	1997 Sales Tax	2002 Sales Tax	Other Governmental Funds	Total Governmental Units
REVENUES:					
Taxes	$ 1,978,632	$ 0	$ 0	$ 0	$ 1,978,632
Permits and licenses	3,061	0	0	0	3,061
Intergovernmental	87,128	161,351	168,475	500,000	916,954
Charges for service	320,822	0	5,100	56,835	382,757
Fines & Forfeitures	240,664	0	0	22,137	262,801
Use of money and property	20,586	11,684	736	12,884	45,890
Other	13,922	0		26,053	39,975
Total revenues	2,664,815	173,035	174,311	617,909	3,630,070
EXPENDITURES:					
Current operating:					
General government	670,946	0	0	1,875	672,821
Public safety	974,968	0	0	89,845	1,064,813
Judicial	276,134	0	0	0	276,134
Public Works Hwy & streets	313,814	173,029	0	0	486,843
Sanitation	238,937	0	0	0	238,937
Health and welfare	160,461	0	35,667	0	196,128
Culture and welfare	61,876	0	0	0	61,876
Other	0	0	0	0	0
Capital outlay	0	0	0	0	0
Debt service	0	0	0	0	0
Total expenditure	2,697,136	173,029	35,667	91,720	2,997,552
Excess (deficiency) of revenues over expenditures	(32,321)	6	138,644	526,189	632,518
OTHER FINANCING SOURCES (USES):					
Transfers to component unit	(60,000)	0	0	0	(60,000)
Transfers other funds	39,153	(39,153)	0	0	0
Total other financing sources and (uses)	(20,847)	(39,153)	0	0	(60,000)
Net changes in fund balances	(53,168)	(39,147)	138,644	526,189	572,518
Fund balance -					
Beginning of year	1,413,153	1,178,505	180,437	171,902	2,943,997
End of year	$ 1,359,985	$ 1,139,358	$ 319,081	$ 698,091	$ 3,516,515

The notes to the financial statements are an integral part of this statement.

BA

WARREN COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	$	572,518
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period		(201,204)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		10,298
Certain tax revenue that was earned and accrued in the current period but not received after 60 days is deferred in the fund statement but recognized under full accrual		(44,822)
Changes in net assets of governmental activities	$	336,790

The Notes to Financial Statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS

	Water Fund
ASSETS	
Utility system:	
Construction in progress	
Engineering & design	$ 85,403
Total assets	$ 85,403

LIABILITIES AND NET ASSETS

LIABILITIES	
Due to general funds	85,403
Total liabilities	85,403
NET ASSETS	
Total net assets	0
	$ 0

The Notes to Financial Statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2004

	Pension Funds	Agency Funds
ASSETS		
Current assets:		
Cash and cash equivalents	$ 0	$ 158,690
Investments	478.390	0
Total current assets	$ 478.390	$ 158.690
Current liabilities		
Due to other governments	0	54,574
Due to other funds	0	52,821
Due to others	0	51.295
Total liabilities	0	$ 158.690
NET ASSETS		
Total net assets	$ 478.390	

The Notes to Financial Statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR YEAR ENDED JUNE 30, 2004

	Pension Funds
Addition	
Employees contributions	$ 20,000
Net appreciation in fair value of investments	55,279
Total additions	$ 75,279
Deductions	
Benefits paid	23,601
Plan administration	35
Total deductions	23,636
Increase in net assets	51,643
Net assets, beginning of year	426,747
Net assets, end of year	$ 478,390

The Notes to Financial Statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
JUNE 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
CLERK OF COURT				
Assets				
Cash	$ 90,207	$ 173,977	$ 205,415	$ 58,769
Liabilities				
Due to other governments	$ 1,920	$ 31,609	$ 37,399	$ 7,710
Due to other funds	49,901	170,716	131,651	10,836
Due to others	38,386	3,090	4,927	40,223
	$ 90,207	$ 205,415	$ 173,977	$ 58,769
MAGISTRATE COURT				
Assets				
Cash	$ 1,956	$ 66,130	$ 65,043	$ 3,043
Liabilities				
Due to other funds	$ 960	$ 13,066	$ 13,073	$ 967
Due to others	996	51,977	53,057	2,076
	$ 1,956	$ 65,043	$ 66,130	$ 3,043
PROBATE COURT				
Assets				
Cash	$ 0	$ 231,971	$ 223,945	$ 8,026
Liabilities				
Due to other governments	$ 0	$ 50,486	$ 50,486	$ 0
Due to other funds	0	166,282	174,308	8,026
Due to others	0	7,177	7,177	0
	$ 0	$ 223,945	$ 231,971	$ 8,026
SHERIFF				
Assets				
Cash	$ 21	$ 0	$ 0	$ 21
Liabilities				
Due to other funds	$ 21	$ 0	$ 0	$ 21

The Notes to Financial Statements are an integral part of these statements.

WARREN COUNTY, GEORGIA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES (CONT.)
JUNE 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
TAX ASSESSOR				
Assets				
Cash	$ 21	$ 1,785	$ 1,785	$ 21
Liabilities				
Due to other funds	$ 21	$ 1,785	$ 1,785	$ 21
TAX COMMISSIONER				
Assets				
Cash	$ 72,144	$ 3,826,004	$ 3,809,338	$ 88,810
Liabilities				
Due to other governments	$ 33,217	$ 2,194,899	$ 2,208,546	$ 46,864
Due to other funds	26,051	1,537,325	1,544,224	32,950
Due to others	12,876	77,114	73,234	8,996
	$ 72,144	$ 3,809,338	$ 3,826,004	$ 88,810
ALL AGENCY FUNDS				
Assets				
Cash	$ 164,349	$ 4,299,867	$ 4,305,526	$ 158,690
Liabilities				
Due to other governments	$ 35,137	$ 2,276,994	$ 2,296,431	$ 54,574
Due to other funds	76,954	1,889,174	1,865,041	52,821
Due to others	52,258	139,358	138,395	51,295
	$ 164,349	$ 4,305,526	$ 4,299,867	$ 158,690

The Notes to Financial Statements are an integral part of these statements.

WARREN COUNTY, GEORGIA
STATEMENT OF NET ASSETS
DISCREETLY PRESENTED COMPONENT UNITS
JUNE 30, 2004

	Warren County Development Authority Enterprise Funds	Warren County Health Department Funds	Totals
ASSETS			
Current assets			
Cash	$ 143,533	$ 16,476	$ 160,009
Accounts receivable	0	14,144	14,144
Total current assets	143,533	30,620	174,153
Restricted assets			
Certificate of deposit	507,001	0	507,001
Receivables	34,160	0	34,160
Total restricted assets	541,161	0	541,161
Capital assets			
Property & equipment	781,664	64,068	845,732
Less accumulated depreciation	(265,246)	(64,068)	(329,314)
Total capital assets, net	516,418	0	516,418
Total assets	1,201,112	30,620	1,231,732
LIABILITIES			
Current liabilities			
Accounts payable	0	10,151	10,151
Current liabilities payable from restricted assets - note payable	24,504	0	24,504
Total current liabilities	24,504	10,151	34,655
Non-current liabilities			
Accounts for accrued compensated absences	0	10,531	10,531
Notes payable	696,504	0	696,504
Total liabilities	721,008	20,682	741,690
Net assets			
Invested in capital assets, net of related debt	336,571	0	336,571
Restricted	0	7,696	7,696
Unrestricted	143,533	2,242	145,775
Total net assets	$ 480,104	$ 9,938	$ 490,042

The Notes to Financial Statements are an integral part of this statement.

FUNCTION/PROGRAM:

Warren County Development Authc
Governmental type activities

Warren County Public health progra
Governmental type activities

Total component units

The notes to the financial statement

WARREN COUNTY, GEORGIA
DISCRETELY PRESENTED COMPONENT UNIT
DEVELOPMENT AUTHORITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 47,004
Cash payments to vendors	(19,460)
Net Cash Provided by Operating Activities	27,544
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:	
Operating transfers in	60,000
Net Cash Used for Noncapital Financing Activities	60,000
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(270,399)
Capital grant	170,400
Repayment on long term debt	(24,504)
Interest paid on long term debt	(7,500)
Net Cash Used for Capital and Related Financing Activities	(132,003)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from interest earnings	976
Net Cash Provided by Investing Activities	976
Net (Decrease) in Cash and Cash Equivalents	(43,483)
Cash and Cash Equivalents July 1, 2003	187,016
Cash and Cash Equivalents June 30, 2004	$ 143,533
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income	$ 2,581
Depreciation	24,963
Net Cash Provided by Operating Activities	$ 27,544

The Notes to the Financial Statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
SPECIAL REVENUE FUND (1997 SALES TAX FUND)
COMBINING BALANCE SHEET
JUNE 30, 2004

	Landfill Fund	Roads & Bridges Fund	Combined Totals
ASSETS			
Cash & cash equivalent	$ 445,776	$ 656,509	$ 1,102,285
Accounts receivable	0	37,073	37,073
Total current assets	$ 445,776	$ 693,582	$ 1,139,358
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	0	0	0
Total Liabilities	0	0	0
Fund Balance			
Reserved for capital projects	445,776	693,582	1,139,358
Total Fund Balance	445,776	693,582	1,139,358
Total Liabilities and fund balance	$ 445,776	$ 693,582	$ 1,139,358

The Notes to Financial Statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
SPECIAL REVENUE FUND (1997 SALES TAX FUND)
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
JUNE 30, 2004

	Landfill Fund	Roads & Bridges Fund	Combined Totals
REVENUE			
Intergovernmental	$ 0	$ 161,351	$ 161,351
Use of money and property	5,150	6,534	11,684
Total revenue	5,150	167,885	173,035
EXPENDITURES			
Public works, Hwy & streets	0	173,029	173,029
Sanitation	39,153	0	39,153
Total Expenditures	39,153	173,029	212,182
Excess (deficiency) of revenue over expenditures	(34,003)	(5,144)	(39,147)
Fund Balance			
Beginning of year	479,779	698,726	1,178,505
End of year	$ 445,776	$ 693,582	$ 1,139,358

The Notes to Financial Statements are an integral part of this statement.

WARREN COUNTY, GEORGIA
SPECIAL REVENUE FUND (2002 SALES TAX FUND)
COMBINING BALANCE SHEET
JUNE 30, 2004

	Water Project Fund	Economic Development Fund	Emergency Service Fund	Recreation Fund	Sales Tax Distribution Fund	Combined Totals
ASSETS						
Cash & cash equivalent	$ 89,301	$ 107,604	$ 16,673	$ 67,916	$ 0	$ 281,494
Due from other funds	9,896	13,619	6,355	7,717	0	37,587
Due from other governments	0	0	0	0	90 790	90.790
Total assets	$ 99,197	$ 121,223	$ 23,028	$ 75,633	$ 90,790	$ 409,871
LIABILITIES & FUND BALANCE						
Liabilities						
Due to other funds	0	0	0	0	72,450	72,450
Due to other governments	0	0	0	0	18.340	18.340
Total liabilities	0	0	0	0	90.790	90.790
Fund Balance	99,197	121,223	23,028	75,633	0	319,081
Total fund balance	$ 99,197	$ 121,223	$ 23,028	$ 75,633	$ 0	$ 319,081
Total liabilities & fund balance	$ 99,197	$ 121,223	$ 23,028	$ 75,633	$ 90,790	$ 409,871

WARREN COUNTY, GEORGIA
SPECIAL REVENUE FUND (2002 SALES TAX FUND)
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
JUNE 30, 2004

	Water Project Fund	Economic Development Fund	Emergency Service Fund	Recreation Fund	Combined Totals
REVENUE					
Intergovernmental	$ 45,387	$ 58,444	$ 29,312	$ 35,332	$ 168,475
Charges for services	5,100	0	0	0	5,100
Use of money & property	0	334	51	351	736
Total revenue	50,487	58,778	29,363	35,683	174,311
EXPENDITURES					
Health & welfare	0	0	35,667	0	35,667
	0	0	35,667	0	35,667
Excess (deficiency) of revenues over expenditures	50,487	58,778	(6,304)	35,683	138,644
Fund balance					
Beginning of year	48,710	62,444	29,332	39,951	180,437
End of year	$ 99,197	$ 121,222	$ 23,028	$ 75,634	$ 319,081

WARREN COUNTY, GEORGIA
SPECIAL REVENUE FUND (OTHER GOVERNMENTAL FUND)
COMBINING BALANCE SHEET
JUNE 30, 2004

	Drug Abuse Fund	Jail Fund	Sheriff Drug Fund	Volunteer Fire Fund	Emergency 911 Fund	Knox Theater Renovation Fund	Revolving Loan Fund	Combined Totals
ASSETS								
Cash & cash equivalent	$ 15,252	$ 125,237	$ 6,088	$ 14,499	$ 18,738	$ 3,000	$ 129,524	$ 312,338
Accounts & notes receivable	0	0	0	0	4,803	0	379,996	384,799
Due from other governments	100	854	0	0	0	0	0	954
Total assets	$ 15,352	$ 126,091	$ 6,088	$ 14,499	$ 23,541	$ 3,000	$ 509,520	$ 698,091
LIABILITIES & FUND BALANCE								
Liabilities								
Accounts payable	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total liabilities	0	0	0	0	0	0	0	0
Fund Balance								
Reserved for special revenue funds	15,352	126,091	6,088	14,499	23,541	3,000	509,520	698,091
Total fund balance	15,352	126,091	6,088	14,499	23,541	3,000	509,520	698,091
Total liabilities & fund balance	$ 15,352	$ 126,091	$ 6,088	$ 14,499	$ 23,541	$ 3,000	$ 509,520	$ 698,091

WARREN COUNTY, GEORGIA
SPECIAL REVENUE FUND (OTHER GOVERNMENTAL FUND))
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
JUNE 30, 2004

	Drug Abuse Fund	Jail Fund	Sheriff Drug Fund	Volunteer Fire Fund	Emergency 911 Fund	Knox Theater Renovation Fund	Revolving Loan Fund	Combined Totals
REVENUE								
Intergovernmental - Grant	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 500,000	$ 500,000
Charges for services	0	0	0	0	56,835	0	0	56,835
Fines and forfeitures	4,014	18,123	0	0	0	0	0	22,137
Other	0	0	0	23,053	0	3,000	0	26,053
Use of money & property	94	1,350	0	45	0	0	11,395	12,884
Total revenue	4,108	19,473	0	23,098	56,835	3,000	511,395	617,909
EXPENDITURES								
Public safety	0	7,500	0	17,143	65,202	0	0	89,845
General government	0	0	0	0	0	0	1,875	1,875
	0	7,500	0	17,143	65,202	0	1,875	91,720
Excess (deficiency) of revenues over expenditures	4,108	11,973	0	5,955	(8,367)	3,000	509,520	526,189
Fund balance								
Beginning of year	11,244	114,118	6,088	8,544	31,908	0	0	171,902
End of year	$ 15,352	$ 126,091	$ 6,088	$ 14,499	$ 23,541	$ 3,000	$ 509,520	$ 698,091

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. This year's financial report has been prepared in accordance with GASB Statement No. 34 issued in June 1999. Under GASB Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"* infrastructure is reported and other capital assets are depreciated. The adoption of GASB 34 required the following changes:

- Reporting for the first time $49,297,500 in infrastructure and $2,357,190 in accumulated depreciation on capital assets other than infrastructure.
- Conversion from modified accrual to a full accrual of revenues and expenses.
- Reporting $85,246 in liabilities associated with capital lessee obligations.
- Reporting revenues by functions and classifying revenues as program revenues (e.g. charges for services) or general revenue (e.g taxes and investments).
- Presenting Management Discussion and Analysis which summarizes the financial data for the County.
- Classification of net assets into 3 categories, invested in fixed assets net of related debt, restricted net assets and unrestricted net assets.

Other new statements include Statements 37, 38, and GASB Interpretation No. 6. GASB Statement 37, "*Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*" clarifies certain GASB 34 provisions related to MD&A requirements and the modified approach to infrastructure. GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*" modifies note disclosure requirements. GASB Interpretation No. 6 clarifies the application of modified accrual recognition of certain liabilities and expenditures in the governmental fund financial statements.

Introduction

Warren County, Georgia (County) complies with Generally Accepted Accounting Principles (GAAP) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accompanying basic financial statements present the government and its discretely presented component units defined according to criteria in GASB Statement No. 14, *The financial Reporting Entity.*

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity - Basis of Presentation

Primary Government

Warren County, Georgia (hereafter referred to as the "County") was created in December 1793. The County provides the following services: public safety, streets and highways, public improvements, judicial, health and welfare, and general and administrative services. The accompanying financial statements present the County's primary government and component units over which the County is financially accountable. Accountability is based primarily on operational or financial relationship with the County (as distinct from legal relationships).

Discretely Presented Component Units

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units. The component unit's columns in the combined financial statements include the financial data of the County's two component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

Warren County Development Authority

This Authority was created for the purpose of promoting and developing trade, commerce, industry, and employment opportunities within Warren County, Georgia. The members of its board of directors are appointed by the County and its primary source of revenue is from leasing real estate. The Warren County Development Authority, an Enterprise Fund, financial statements are included in the individual fund financial statements. The Warren County Development Authority does not issue separate financial statements.

Warren County Board of Health

The Warren County Board of Health receives funding from Warren County. Members of its governing board are appointed by the Warren County Board of Commissioners. The Warren County Board of Health, a Special Revenue Fund, financial statements are included in the individual fund financial statements. Separate financial statements have been issued, and are available from the Warren County Board of Health located on Legion Drive in Warrenton, Georgia 30828.

B. Government-wide and fund financial statements

The **government-wide financial statements** include the statement of net assets and statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County and its component unit. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. The primary government is reported separately from the component unit within the government wide statements.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and fund financial statements (Continued)

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter excluded from the government-wide financial statements. The General Fund, and Major Projects meet criteria as ***major governmental funds***. Each major fund is reported in separate columns in the fund financial statements. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

The County's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement 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 fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of timing and 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 have been met.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgements, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the County and is always classified as major fund. The General fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public works, judicial, public welfare, health services and capital acquisition.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major Projects Fund is used to account for monies received from intergovernmental revenues (i.e. Special Purpose Sales Taxes), for various County projects.

Grants Funds is used to account for programs supported by grants-in-aid from various agencies and/or governmental units.

Nonmajor funds include Special revenue funds (other than major projects and grants), capital projects funds.

Proprietary fund level financial statements are used to account for activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The County's only Proprietary Fund is the water fund which is in the developmental stage. Construction of the water system will commence in the next few weeks.

The **Proprietary fund** is accounted for using the accrual basis of accounting as follows:

Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.

Proprietary fund distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing delivering good in connection with a proprietary fund's principal ongoing operations (e.g. insurance payments).

Fiduciary fund level financial statements include agency funds which are used to account for assets held by the County as an agent for individuals, (i.e. pension participants), other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments. State statues and the County's official Investment Policy authorize the County to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, Banker's acceptances, money market mutual funds and direct obligations of the State of Georgia.

The County record investments at fair market value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of activity of revenues, expenditures and changes in fund balance.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

2. Receivables and payables

Accounts Receivable

Property taxes were levied based on taxable value at January 1 prior to June 30, 2004 and became due October 20, 2003 and past due after December 20, 2003. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

Accounts receivables from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

3. Inventories and prepaid items

Inventories for all governmental funds are valued at cost. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are reported as assets.

4. Restricted Funds - Component Units

The Development Authority Enterprise Fund is required to establish and maintain prescribed amounts of resources (consisting of cash and long-term investments) that can be used only to service outstanding debt.

5. Capital Assets - Primary Government

Capital assets, which include land, buildings and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Capital assets such as vehicle, furniture and equipment are defined as assets with a cost of $2,500 or more. Infrastructure assets include County-owned roads and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

5. Capital Assets - Primary Government (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets except for infrastructure are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Furniture & Fixtures	5 - 7
General Equipment	5 - 10
Trucks & Ambulance	4 - 7
Cars	4 - 5
Computer hardware	3 - 5

The County uses the modified approach to report its infrastructure assets in the government-wide statement of net assets. Infrastructure assets are listed at historical costs but they are not depreciated. Rather, under the modified approach allowed by GASB Statement No. 34, the County reports annual expenses for maintaining roads and highways and preserving them at a 2.5 level of a 4.0 scale.

6. Compensated Absences and Post Retirement Benefits

Employees with one to five years of service are allowed nine sick leave and nine days of vacation. After five years of service, vacation leave increases to three weeks. Employees can accumulate no more than nine days sick leave and nine days vacation in any year. The County will pay employees up to five days accumulated vacation pay annually. An remaining accumulations up to the maximum allowable nine days, must be taken as time off. Unused vacation leave is payable in full upon termination of employment. No compensation is available for unused sick leave. County policy requires accumulated amounts of sick leave to be carried over, not to exceed nine days.

At June 30, 2004 unrecorded General Fund accumulated unpaid vacation and sick pay was not material in amount and does not exceed normal years accumulation.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net assets.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

8. Lease Obligations

The County leases various assets under capital lease agreements. In the government-wide financial statements, capital leases and the related lease obligations are reported as liabilities in the government-wide financial statements.

9. Unemployment Compensation Benefits

The County is reimbursing employer for unemployment compensation benefits. Reimbursements are made on the basis of regular billings received from the Georgia Unemployment Commission.

10. 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 of use for a specific purpose. Fund reservations include capital projects, and special revenue projects.

11. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

E. Stewardship, Compliance and Accountability Budgetary Information

During the year proceeding the budget year, the County follows the below administrative and fiscal procedures in establishing the budgetary data reflected in the accompanying financial statements of the General Fund:

- During June, the Chairman submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1.
- The Board of Commissioners holds public hearings, and during June, the Board adopts the budget. A balanced budget is required by law.
- Changes in and amendments to the adopted budget are approved during the course of the year, as long as reserves are available to fund these modifications.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget (Budgetary Basis) and Actual, for the General Fund, presents comparison of the legally adopted budget with actual operating results on a budgetary basis. Since the legally adopted budget is essentially on a cash basis, which differs significantly from GAAP,

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Stewardship, Compliance and Accountability Budgetary Information (Continued)

the actual data is similarly presented for comparison purposes. A reconciliation from the budgetary basis to GAAP basis is also presented in the statements. Encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation, is not used by the County.

F. Compensated absences

Employees with one to five years of service are allowed nine sick leave and nine days of vacation. After five years of service, vacation leave increases to three weeks. Employees can accumulate no more than nine days sick leave and nine days vacation in any year. The County will pay employees up to five days accumulated vacation pay annually. An remaining accumulations, up to the maximum allowable nine days, must be taken as time off. Unused vacation leave is payable in full upon termination of employment. No compensation is available for unused sick leave. County policy requires accumulated amounts of sick leave to be carried over, not to exceed nine days.

At June 30, 2004, unrecorded General wide financial statements accumulated unpaid vacation pay & sick leave was not material in amount and does not exceed normal years accumulation.

NOTE II - RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government wide statement of assets

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets. The details of this difference of $56,663,833 are as follows:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds	$56,704,257
Long-term liabilities including capital leases are not due and payable in the current period and therefore, are not reported in the funds	(85,246)
Certain tax revenue that was earned and accrued in the current period but not received after 60 days is deferred in the fund statement but recognized under full accrual	44,822
	$56,663,833

NOTE II - RECONCILIATION OF GOVERNMENT WIDE 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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of net assets. The details of this difference of $235,728 are as follows:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	$ (201,204)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	10,298
Tax revenue deferred in governmental fund statement	(44,822)
	$ (235,728)

NOTE III - DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES

Primary Government and Discretely Presented Component Units

The County's reporting entity considers highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. The carrying amount of cash is a reasonable estimate of fair value. Investment fair values are based on quoted market prices or dealer quotes.

Deposits

It is the County's policy for cash to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insured Corporation insurance. The County's cash deposits are categorized to give an indication of the level of risk assumed by the County. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the County or by its agent in the County's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

Category 3 - Uncollateralized.

NOTE III - DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES (CONTINUED)

Deposits (Continued)

Category	Primary Government	Component Units	Reporting Entity
1	$ 2,813,905	$ 667,010	$ 3,480,915
2	0	0	0
3	0	0	0
Total	$ 2,813,905	$ 667,010	$ 3,480,915

At June 30, 2004, the County's total book cash balance and bank deposit balance, including certificates of deposit, totaled $2,813,905. The Development Authority's and Board of Health's total book cash balances and bank deposit balances, including certificates of deposit, totaled $667,010.

Investments

The County can invest money subject to its control and jurisdiction in obligations of the United States, bonds or certificates of indebtedness of the State of Georgia, certificates of deposits of banks which have deposits insured by the Federal Deposit Insurance corporation, and other legal investments. All investments held by the County are in accordance with this policy.

NOTE IV - PROPERTY TAXES AND OTHER RECEIVABLES

Primary Government

The County's Tax Commissioner Fund bills and collects property taxes, then remits the county its respective share of property taxes. Property taxes for 2003 were levied on October 20, 2003 and were due December 20, 2003. The unpaid taxes became a lien thirty days after the due date. Unpaid property taxes received within 60 days of the year end are recognized and recorded as revenue (considered measurable and available), and property taxes unpaid 60 days after year end are recorded as deferred revenue.

The County also bills and collects various taxes for the Warren County Board of Education and other local governments. Collections and remittance of taxes for these entities are accounted for in the Tax Commissioner Fund (an Agency Fund). Collections of taxes for the County also are collected by the tax commissioner and disbursed to the General Fund.

The County receives approximately 80 % of a 1% local option sales tax on all retail sales within the County. The proceeds of such tax collected each year are used to reduce, on a dollar for dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Local option sales tax collections collected during the year ended June 30, 2004 totaled $252,050.

NOTE IV - PROPERTY TAXES AND OTHER RECEIVABLES (CONTINUED)

Primary Government (Continued)
A summary of the 2003 tax levy follows:

General Fund

2003 millage rate - County wide	11.50
Net Property Tax Levy-All Taxes	$1,436,540
Property Taxes Receivable-Real and Personal Property Taxes, Net	$ 44,822

At June 30, 2004 the component of deferred revenue reported in the governmental funds for property taxes was $44,822.

Primary Government - Receivables as of year end for the governmental activities, individual major governmental funds, and non-major governmental funds, including allowances for uncollectible accounts, as required by GASB Statement No. 34 are as follows:

Property taxes attach as an enforceable lean on property as of January 1. Taxes are levied prior to December 20, and are delinquent after that date. The County bills and collects its own property taxes and those for the Warren County Board of Education states the County acts only as an intermediary in the collection and distribution of property taxes to the other entities.

Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Commissioner's Agency Fund. Tax collections are recorded net of the entities' related collection commission paid the County in this agency fund according to the levy year for which taxes are collected. Tax collections deposited for the County are distributed on a monthly basis to the entities for which collections are made. This distribution is based upon the tax rate established for each entity by order of the Warren County Board of Commission for the tax year for which the collections are made.

Receivables as of year end for the governmental activities, individual major governmental funds, and non major governmental funds, including the applicable allowances for uncollectible accounts, as required by GASB Statement No. 34 are as follows:

Receivables	General Fund	2002 Sales Tax Fund	Other Governmental Fund	Total Governmental Fund
Taxes	$ 100,246	$ 0	$ 0	$ 100,246
Accounts	109,667	0	384,799	494,466
Intergovernmental	54,716	90,790	0	145,506
Other	52,821	0	0	52,821
Gross receivables	317,450	90,790	384,799	793,039
Less, allowance for uncollectible	(55,424)	0	0	(55,424)
Net total receivable	$ 262,026	$ 90,790	$ 384,799	$ 737,615

NOTE IV - PROPERTY TAXES AND OTHER RECEIVABLES (CONTINUED)

Discretely Presented Component Unit

	Development Authority	Health Fund	Total
Interest	$ 26,660	$ 0	$ 26,660
Rent	7,500	0	7,500
Intergovernmental	0	14,144	14,144
	$ 34,160	$ 14,144	$ 48,304

NOTE V - CAPITAL ASSETS

Primary Government

A summary of changes in capital assets follows:

Governmental activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 426,839	$ 0	$ 0	$ 426,839
Construction in progress	0	85,403	0	85,403
Infrastructure	49,297,500	0	0	49,297,500
Total capital assets, not being depreciated	49,724,339	85,403	0	49,809,742
Capital assets, being depreciated				
Buildings & improvement	4,993,047	77,250	0	5,070,297
Vehicle & equipment	4,150,084	116,727	0	4,266,811
	9,143,131	193,977	0	9,337,108
Less accumulated depreciation	(1,962,009)	(395,181)	0	(2,357,190)
Total capital assets being depreciated, net	7,181,122	(201,204)	0	6,979,918
Governmental activities capital assets, net	$ 56,905,461	$ (115,801)	$ 0	$ 56,789,660

In implementing GASB Statement No. 34, assets with an initial cost of $2,500 or more and an estimated life in excess of two years are capitalized. As a result, the beginning capital assets balance is different from the ending balance at June 30, 2004. Additionally, infrastructure has been added to the capital assets balance.

Depreciation expense for year ended June 30, 2004 was charged to functions/programs of the primary government as follows:

NOTE V - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

Governmental activities	
General government	$ 52,838
Public safety	145,663
Judicial	9,745
Highway & streets	152,035
Sanitation	0
Health & welfare	26,211
Culture & recreation	8,689
Total deprecation expense - governmental activities	$ 395,181

Discretely Presented Component Unit

Changes in capital assets for year ended June 30, 2004 for the County are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 12,000	$ 270,399	$ 0	$ 282,399
Total capital assets, not being depreciated	12,000	270,399	0	282,399
Capital assets, being depreciated				
Equipment	64,068	0	0	64,068
Buildings	499,265	0	0	499,265
Total capital assets, being depreciated	563,333	0	0	563,333
Less accumulated depreciation	(304,351)	(24,963)	0	(329,314)
Total accumulated depreciation	(304,351)	(24,963)	0	(329,314)
Total capital assets being depreciated, net	258,982	(24,963)	0	234,019
Capital assets, net	$ 270,982	$ 245,436	$ 0	$ 516,418

NOTE VI - LONG-TERM DEBT

Primary Government - Capital Lease

The County has entered into lease agreements for financing of a vehicle for the Sheriff's department and a ambulance for the Emergency Medical Service (EMS) Department.

Lease obligations for the fiscal year ended June 30, 2004 comprise the following:

NOTE VI - LONG-TERM DEBT (CONTINUED)

Primary Government - Capital Lease (Continued)

	Balances June 30, 2003	Additions	Retirements	Balances June 30, 2004
Capital lease - Vehicles	$ 0	$ 95,544	$ 10,298	$ 85,246

For financial reporting purposes, the County follows the requirements of Statement of Financial Accounting Standards No. 13 which states that, under certain circumstances, the present value of future minimum lease payments should be shown as a liability and that the related assets should be capitalized in the financial statements.

The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2004:

Fiscal year ending June 30	Long-term Debt
2005	$ 24,554
2006	24,554
2007	20,474
2008	16,392
2009	8,196
Total minimum lease payments	94,170
Less amount representing interest	8,924
Present value of future minimum lease payments	$ 85,246

Component unit

Changes in long-term debt for the year ended June 30, 2004 were as follows:

Development Authority

	Balance 6-30-2003	Additions	Deletions	Balance 6-30-2004
Note payable-City of Warrenton	$ 245,512	$ 0	$ 24,504	$ 221,008
Note payable-City of Warrenton	500,000	0	0	500,000
	$ 745,512	$ 0	$ 24,504	$ 721,008

The Development Authority has a note payable of the City of Warrenton, Georgia whose proceeds were used to purchase land and construct a building that the Authority has operating lease with a local industry. The original balance of this note payable was $490,000 and the principal balance on this note as of June 30, 2004 was $221,008. Payment of this note is to be made in 236 equal monthly payments of $2,042 and a final payment of $519. This note is a non-interest bearing note and is due May 2013.

NOTE VI - LONG-TERM DEBT (CONTINUED)

Development Authority Enterprise Fund (Continued)

The Authority borrowed $500,000 from the City of Warrenton, Georgia's UDAG Loan Fund to acquire property to be leased to a local industry. The note is secured in part by a $300,000 Certificate of deposit with a stated interest rate of 6% maturing in ten years. Repayment of this note will be made from proceeds from a maturing certificate of deposit in May 2004 and annual interest payments of $7,500 through May 2004.

Subsequent to June 30, 2004 this note was paid in full.

Presented below is a combined summary of five-year annual debt service requirements:

June 30,	Development Authority
2004	$ 532,004
2005	24,504
2006	24,504
2007	24,504
Thereafter	122,992
	728,508
Less interest	7,500
Totals	$ 721,008

NOTE VII - RISK MANAGEMENT

The County carries property and liability insurance through commercial insurance companies. Annual premiums are based on the amount of coverage and policy deductibles requested by the County.

Risk Pool

Workman's compensation insurance is provided through the Association of County Commissioners of Georgia (A.C.C.G). Annual premiums for workman's compensation are based on projected salaries of county employees for the policy period. The County feels its insurance coverages are adequate, and no insurance related losses will be incurred in excess of deductible amounts. There were no significant reductions in insurance coverage from the prior year and no insurance settlements exceeded coverage in any of the past three fiscal years.

In order to minimize the total cost of workman's compensation and property and liability insurance, the County is a member of the Georgia Interlocal Risk Management Agency Fund (GIRMA), and the Group Self-Insured Workman's Compensation Fund, which are administered by the A.C.C.G. The County pays an annual premium to these funds through the A.C.C.G. The County retains the first $1000 of each risk of loss in the form of a deductible. All claims were filed with GIRMA and GIRMA bills the County for any risk of loss up to the deductible amount.

As part of their agreement, the County must assist and cooperate in the defense and settlement of claims against the County. The County must furnish full cooperation to GIRMA's attorneys, claims adjusters, and

NOTE VII - RISK MANAGEMENT (CONTINUED)

Risk Pool (Continued)

any agent or independent contractor of GIRMA. In addition, the County must report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the County participates.

NOTE VIII - PENSION PLAN

The Warren County Pension Plan (WCPP) is a single-employer defined benefit pension plan administered by a board of trustees appointed by the County. WCPP provides retirement benefits to plan members and beneficiaries. A publicly available financial report that includes financial statement and required supplementary information for WCPP may be obtained by writing to Circle Pension, Inc., 260 Madison Avenue, New York, NY 10016 or by placing a call to (212) 679-2525.

All full-time employees, not excluded by class, are eligible to participate in the Plan after completing three years of service provided they have attained age 21. Benefits are fully vested after fifteen years of service. Participants become eligible to retire at age 65 with 2 years of participation in the Plan. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of sixty percent of compensation, with the benefit reduced proportionately for each year of service less than fifteen years. The maximum benefit is $9,900 per month and maximum percent of salary is one hundred percent. The benefit is based on average salary during the highest three consecutive years of employment. The Plan also provides benefits in the event of death or disability. These benefit provisions were established by an adoption agreement executed by the County Board of Commissioners.

On July 7, 2000 the County executed an amendment to the Warren County, Georgia Retirement Plan. The amendment increases the eligibility requirements from 3 years to 5 years and the hours of service from 1,500 to 1,800. This amendment was effective January 1, 2000.

A second amendment to the plan was adopted on November 10, 2000 and amends the plan to allow participants to elect a lump-sum distribution in lieu of annuitized monthly payments. The lump-sum amount will be based on the actuarial equivalent of the monthly retirement benefit as provided for in the plan agreement. This amendment was effective January 1, 2000.

For fiscal year ending June 30, 2004, the plan included nine active participants, three retirees, and beneficiaries, and five members who terminated service but are not yet receiving benefits. The County's payroll for employees covered by the Plan as of January 1, 2003 (the most recent actuarial valuation date) was $284,779.

Summary of Significant Accounting Policies and Plan Asset Matters

The Warren County Pension Plan financial statements are prepared on the accrual basis of accounting. Contributions from the County are recognized as revenue in the period in which employees provide services

NOTE VIII - PENSION PLAN (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

to the County. Investment income is recognized as earned by the pension plan. The net appreciation/depreciation in the fair value of investments held by the Plan is recorded as an increase/decrease in investment income based on valuation of investments as of the balance sheet date. Investment valuations are based on quoted market prices at the balance sheet date.

Plan assets, liabilities, and fund balances are reported on the combined balance sheet-all fund types, account groups, and discretely presented component units are included in the Fiduciary Fund Types. A combined statement of plan assets and a statement of changes in net plan assets are also included in the County's general purpose financial statements.
The Pension Trust Fund is invested in, approximately, 21% equities and 79% fixed income securities. No securities of the employer and related parties were included in plan assets. As of June 30, 2004, net assets reserved for employee's retirement benefits totaled $478,390.

Funding Policy

The Plan funding policy provides for making required actuarially determined periodic contributions under the "Individual Entry Age" actuarial cost method. This cost method determines the normal cost to fund the benefits under the Plan as a level percentage of compensation from the date a participant was eligible to enter the Plan to retirement. Any variance from assumptions is considered a supplemental liability and funded over a period of five to ten years. An initial liability was established based on an estimate of what the value of the funds would have been, had the plan been in effect on the date of hire of the first employee. This amount is being funded over a period of ten to thirty years. The County contributes the entire cost of the Plan, County employees are not required to contribute.

Annual Pension Cost

The County's annual pension cost and net pension obligation to WCPP for the current year was as follows:

Annual required contribution	$ 0
Interest on net pension obligation	0
Adjustment to annual required contribution	0
Annual pension cost	0
Less contributions made	0
Increase (decrease) in net pension obligations	0
Net pension obligation beginning of year	0
Net pension obligation end of year	$ 0

NOTE VIII - PENSION PLAN (CONTINUED)

Annual Pension Cost (Continued)

For the year ended June 30, 2004, the County's actuarially determined minimum and recommended contribution to the Plan and the maximum recommended contribution was $0. Actually recommended contributions are used as guidance for the County in funding the Plan and are not deemed to be the required contribution. Actual contributions are left to the discretion of the Pension Trustees and the County. For the year ended June 30, 2004 the County's annual pension cost totaled $20,000.

The recommended minimum and maximum contributions were determined as part of an actuarial valuation as of January 1, 2004 using the "Individual Entry Age" method, as described above. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 7 percent per year, (b) normal retirement age was the assumed retirement age, (c) no future salary increases or provisions for inflation, and (d) no post-retirement benefit increases. The actuarial value of WCPP assets was determined using techniques that smooth the effect of short-term volatility in market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a percentage of current salary history on a closed basis. The remaining amortization was 20 years at June 30, 2004.

There were no changes in actuarial assumptions or benefit provisions for the year ended June 30, 2004.

Schedule of Employer Contributions:

Year Ending	Annual Pension Cost (APC)	% APC Funded	Net Pension Obligation
June 30, 1994	$ 120,000	100%	None
June 30, 1995	$ 60,000	100%	None
June 30, 1996	$ 60,000	100%	None
June 30, 1997	$ 60,000	100%	None
June 30, 1998	$ 110,000	100%	None
June 30, 1999	$ 130,000	100%	None
June 30, 2000	$ 60,000	100%	None
June 30, 2001	$ 0	100%	None
June 30, 2002	$ 23,000	100%	None
June 30, 2003	$ 20,000	100%	None

NOTE VIII - PENSION PLAN (CONTINUED)

Annual Pension Cost (Continued)

A schedule of funding progress follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of covered Payroll
Jan 1, 1994	$ 60,000	$ 525,911	$ 465,911	11.40%	$ 281,076	165.75%
Jan 1, 1995	118,323	463,330	345,007	25.53%	262,963	131.19%
Jan 1, 1996	214,347	446,612	232,265	47.99%	203,111	114.35%
Jan 1, 1997	314,545	511,127	196,582	61.54%	194,431	101.01%
Jan 1, 1998	425,713	550,478	124,000	77.34%	180,944	68.95%
Jan 1, 1999	618,435	605,406	0	100.00%	197,059	0.00%
Jan 1, 2000	923,150	612,370	0	100.00%	209,595	0.00%
Jan 1, 2001	881,407	653,895	0	100.00%	228,900	0.00%
Jan 1, 2002	469,136	469,003	0	100.00%	262,115	0.00%
Jan 1, 2003	$ 462,884	$ 512,579	$ 49,695	90.30%	$ 276,426	17.98%

Other State of Georgia Pension Plans

The Sheriff, Clerk of Superior Court, Probate Judge, and various other employees of the County are covered by the State of Georgia retirement plans and are not included as a part of the County's plan described above. These State Plans are funded, in part, through County fines and forfeiture collections.

NOTE IX - LEASED FACILITIES RENTED UNDER OPERATING LEASES

The County's Development Authority Enterprise Fund leases land and buildings to a local industry. The lease is accounted for as operating leases in accordance with generally accepted accounting principles. Terms of the leases are as follows:

The Authority has on lease, land and building to United Parcel Service for a period of twenty years. The lease requires monthly lease payments of $2,042 and contains an option to purchase on various anniversary dates of the lease, beginning in the tenth year. The purchase price at the stated anniversary dates total $490,000. Proceeds from the sale of this property will be paid to the City of Warrenton.

NOTE IX - LEASED FACILITIES RENTED UNDER OPERATING LEASES (CONTINUED)

Cost basis in the land and building totaled $511,265. Depreciation is being provided for using the straight-line method over the expected lease term of twenty years. Depreciation and accumulated depreciation on this land and building for the year ended June 30, 2004 totaled $24,963 and $265,246, respectively.

NOTE X - NEW INDUSTRY LOCATED IN WARREN COUNTY

In prior year a major industry in the County discontinued operations and filed bankruptcy proceedings. The County was successful in locating a tenant that would come and operate a manufacturing facility employing a labor force in Warren County. In order for the Company to locate in the County, the County applied for and received a One Georgia grant for $500,000. The proceeds were used as a loan to the Company for the purpose of assisting in the refurbishing of machinery and equipment. The note was dated July 17, 2003 for $500,000 with 3% interest and was subsequently modified October 17, 2003 with a principal balance remaining at that date of $494,529.63 which would be due & payable in thirty-six (36) equal, consecutive monthly installments of $14,090.71 each commencing on the 17th day of November 2003 with the financial installment due on 17th day of October 2006. The balance of the loan at June 30, 2004 was $379,996 as shown in the government wide statement of net assets.

NOTE XI - JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River area Regional Development Center (RDC) and is required to pay annual dues thereto. During its year ended June 30, 2004, the County paid $3,395 in such dues and service charges. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 that provides for the organizational structure of the RDC 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 an RDC. Separate financial statements may be obtained from:

CSRA Regional Development Center
2123 Wrightsboro Road, P.O. Box 2800
Augusta, GA 30914-2800

NOTE XII - COMMITMENTS

New Special 1% Sales Tax For Roads and Bridges, Water and Other Projects

On July 1, 2002, a new special 1% sales tax went into effect. The sales tax is to remain in effect not exceeding 20 quarters (5 years) or until $3,200,000 is collected. The sales tax proceeds are to be allocated to the following projects and other governments in the County:

NOTE XII - COMMITMENTS (CONTINUED)

New Special 1% Sales Tax For Roads and Bridges, Water and Other Projects (Continued)

Warren County projects

Roads and bridges	$ 1,228,800
Water	349,440
Economic Development	480,000
Recreation	272,000
Emergency Service	225,760
	2,556,000
City of Warrenton projects	421,280
City of Norwood projects	111,360
City of Camak projects	111,360
	$ 3,200,000

NOTE XIII - CONTINGENCIES

Judgements and Claims

As of the report date, the County was not involved in any lawsuit or other pending or threatened litigation. Accordingly no accrual has been recorded related to judgements and claims against the County.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the Federal and State Governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

Landfill Closure

The County landfill closed April 9, 1994. Currently the County has a contract with a private waste disposal facility, whereby, all county waste will be transferred to and disposed of by the private company.

State and Federal regulations require that the County maintain its landfill after closure. The County submitted a post closure plan to the State of Georgia and received plan approval on October 16, 1995. The closure plan requires monitoring of ground water and methane gas wells on a periodic basis and maintenance of the landfill site for a period of five years. Costs incurred for the year ended June 30, 2004 associated with the maintenance and monitoring of the landfill totaled $39,153.

Future costs to monitor the wells, and adhere to the provisions and conditions of the post closure plan are not expected to be material in amount. However, this estimate is subject to changes, if any, that may be required due to inflation or deflation, technology, or applicable laws or regulations.

WARREN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGETED ACTUAL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
REVENUES:	Original	Final	Actual	
Taxes	$ 1,851,450	$ 1,862,599	$ 1,975,497	$ 112,898
Permits and licenses	3,100	3,100	3,061	(39)
Intergovernmental	80,431	80,431	87,128	6,697
Charges for service	216,000	216,000	255,666	39,666
Fines & Forfeitures	250,000	250,000	270,719	20,719
User of money and property	28,000	28,000	22,420	(5,580)
Other	125,914	158,914	48,747	(110,167)
Total revenues	2,554,895	2,599,044	2,663,238	64,194
EXPENDITURES:				
Current operating:				
General government	747,232	758,381	784,811	(26,430)
Public safety	805,111	838,111	903,891	(65,780)
Judicial	265,247	265,247	266,245	(998)
Public Works, Hwy & streets	220,200	220,200	294,310	(74,110)
Sanitation	232,326	232,326	235,182	(2,856)
Health and welfare	147,159	147,159	141,830	5,329
Culture and recreation	77,620	77,620	51,077	26,543
Total expenditure	2,494,895	2,539,044	2,677,346	(138,302)
Excess (deficiency) of revenues over expenditures	60,000	60,000	(14,108)	(74,108)
OTHER FINANCING SOURCES (USES):				
Transfers out	(60,000)	(60,000)	(60,000)	0
Total other financing sources and (uses)	(60,000)	(60,000)	(60,000)	0
Excess (deficiency) of revenues over (under) expenditures	$ 0	$ 0	(74,108)	$ (74,108)
Reconciliation to GAAP Basis to record effect of changes in receivable and other assets and payables and other liabilities				
Receivables and other assets			40,730	
Payables and other liabilities			(19,790)	
			20,940	
Net changes in fund balances			(53,168)	
Fund balance - Unreserved				
Beginning of year			1,413,153	
End of year			$ 1,359,985	

WARREN COUNTY, GEORGIA
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2004

Budgetary Data

The Warren Board of Commission adopts an annual budget which covers the General Fund. For the Special Revenue governmental fund which consists of fourteen (14) funds of which seven (7) of those funds are designated to be spent in accordance with the Special Local Option Sales Tax Resolution approved by the citizens of Warren county in 2002. The remaining seven (7) funds are set aside for the purpose intended, i.e. Drug Abuse Fund, Jail Fund, Sheriff Drug Fund, Volunteer Fire Fund, Emergency 911 Fund, Restoration Fund for Historical Knox Theater, and Revolving Loan Fund.

As stated previously the Enterprise Fund (Water system) is in the developmental design stage. When the infrastructure for water is complete and in operation the Board of Commissioners will adopt annual budgets for those operations.

The Budgetary Comparison Schedule, included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted.

The County budgets it's revenue and expenditures on the cash basis of accounting. However, since the actual general fund accounting is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, adjustments have been made to the actual operations, to the revenue and expenditures for the accounts receivable and accounts payable in order to be comparable to the budget.

WARREN COUNTY, GEORGIA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PENSION FUNDING
LAST THREE FISCAL YEARS (UNAUDITED)
JUNE 30, 2004

For year ending June 30, 2004 the annual pension cost was $0, however the county made a $20,000 contribution to the plan. The requested contribution was delivered in the valuation report dated January 1, 2003.

The following table discloses thru-year historical trend information relating to the pension plan

Fiscal year Ending	Annual Pension Cost (APC)	Pension of APC Contribution	Net Pension Obligation
January 1, 2001	0	100%	0
January 1, 2002	23,000	100%	0
January 1, 2003	20,000	100%	0

The following table discloses certain thru-year historical trend information presenting the County's progress is accountability sufficient assets to pay benefits when due.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Percentages	Unfunded AAL (UAAL)	Funded Percent	Annual Covered Payroll	UAAL as a Percentage of covered Payroll
January 1, 2001	$ 881,407	$ 653,895	0	100.00%	228,900	0.00%
January 1, 2002	469,136	469,003	0	100.00%	262,115	0.00%
January 1, 2003	462,884	512,579	49,695	100.00%	276,426	17.98%

WARREN COUNTY, GEORGIA
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
INFRASTRUCTURE ASSETS - MODIFIED APPROACH
JUNE 30, 2004

The county elected to use the modified approach method and not depreciate the infrastructure asset consisting of roads in the county.

The Chairman of the Board of Commission along with the County's Public Works Department performed a physical inventory and assessment of every County road. The following conditions were defined associated to a rating:

Condition	Rating
Excellent	4
Good	3
Fair	2
Poor	1

The review of the overall road conditions remain in rating at 2.5 or better. The county constantly expends considerable resources annually for maintenance and preservation of the road system.

In 2002 the voters approved a special 1% Local Option Sales Tax resolution for the purpose of collecting taxes for five years to fund various projects needed. The County road paving, resurfacing and maintenance will receive the larger share of the Sales Tax proceeds of $1,228,800.

During the year ended June 30, 2004 the expenditures through Public works of the General Fund and Special Revenue Sales Tax fund was in excess of $233,000 for road maintenance.

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

Warren County Board of Commissioners
Warren County, Georgia

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Warren County, Georgia, as of and for the year ended June 30, 2004, which collectively comprise Warren County, Georgia's basic financial statements and have issued our report thereon dated December 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Warren County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non- compliance 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 object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren County, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information and use of the audit committee, management, commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berry & Associates P.C.

December 28, 2004

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INDEPENDENT AUDITOR'S REPORT ON SPECIAL ONE PERCENT SALES AND USE TAX (SPLOST - 2002/2007)

Warren County Board of Commissioners
Warren County, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Warren County, Georgia, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Warren County, Georgia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as required by Section 48-8-121 (special local 1% sales tax) of the Official Code of Georgia Annotated (OCGA). Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Warren County, Georgia's basic financial statements. The accompanying Schedule of Project Expenditures With Special Sales Tax Proceeds lists each identified project, the original estimated cost of each project, expenditures incurred, and the estimated percentage of completion of each project through June 30, 2004, it is not intended to be a complete presentation of Warren County, Georgia's assets, liabilities, revenues and expenses. The information contained in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

December 28, 2004

Berry & Associates P.C.

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WARREN COUNTY, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES WITH
SALES TAX PROCEEDS (2002-2007)
FOR THE YEAR ENDED JUNE 30, 2004

Project	Original Estimated Cost	Prior Year	Current Year	Total To Date	Estimated Percentage of Completion
Roads & Bridges	$ 1,228,800	$ 0	$ 173,029	$ 173,029	$ 14.1%
Water	349,440	0	0	0	0.0%
Economic Development	480,000	0	0	0	0.0%
Recreation	272,000	0	0	0	0.0%
Emergency Service	225,760	0	0	35,667	0.0%
	$ 2,556,000	$ 0	$ 208,696	$ 208,696	