Warren County, Georgia

Annual Financial Report

For the Year-Ended

June 30, 2011

WARREN COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major and non-major fund for Warren County, Georgia, as of and for the year ended June 30, 2011, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but do not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major and non-major fund of Warren County, Georgia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011, on our consideration of Warren County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison, and other information on pages 7 through 15 and 56-57, respectfully 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Warren County, Georgia's basic financial statements. The required supplementary information, Schedule of Project Expenditures with special tax proceeds for the year ended June 30, 2011 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Project Expenditures with special tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 27, 2011

WARREN COUNTY, GEORGIA
PRINCIPAL OFFICIALS
JUNE 30, 2011

ELECTED OFFICIALS

BOARD OF COMMISSIONERS

John R. Graham, Chairman

District One	Richard Burley, Jr.
District Two	Rita Johnson

CONSTITUTIONAL OFFICERS

Tax Commissioner	Lynette Johnson
Clerk of Court	Shirley Cheeley
Magistrate Court	Janice Thigpen
Probate Court	Janice Thigpen
Sheriff	Joe Peebles

APPOINTED OFFICIALS

Finance Clerk	Cathy Toulson
County Clerk	Pam Lester
Fire Chief	Tommy Wolfe
Planning & Code Enforcement	Michael Thigpen

WARREN COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

As management of Warren County, Georgia (the County), we offer readers of the County's financial statements this narrative overview and analysis of the County for the fiscal year ended June 30, 2011. This discussion and analysis does include comparative data for prior years, as this information is now available subsequent to the implementation of Governmental Accounting Standards Board (GASB) Statement Number 34.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year ending June 30, 2011 by $60 million, of that amount $1.4 million (unassigned net assets) may be used to meet the County's ongoing obligations to the citizens and creditors.

- The County's total net assets increased by $1,650,980 for the year ended June 30, 2011. The increase in net assets was due primarily from an increase in construction of capital assets, sales tax and other tax collections.

- As of June 30, 2011, the County's governmental fund reported combined ending net assets of $3,176,769, an increase of $1.4 million in comparison with the prior year.

- The County's total long term liabilities decreased $15,000 during the year. Long-term liabilities consisted of a USDA and a John Deere loan for the General Fund and USDA and GEFA loan for the Water Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the Warren County, Georgia'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, Georgia's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of Warren County, Georgia'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 change

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 items that will only result in cash flows in future fiscal periods (e.g., uncollectible 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 two categories of activities:

Governmental activities – Most of the County's basic services are reported in this category, including the police, fire, transportation, culture 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 charges a fee to customers to help it cover all or most of the cost of services it provides. The County's water and sewer system is reported in this category.

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. The balances left in the funds at year-end are those 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 less it provides. Governmental fund information helps determine whether there are more or less financial recourses 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)

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, the Capital Projects Fund, the Sales Tax Fund, the Revolving Loan Fund, and Planning Commission Fund, all of which are considered to be major funds.

Proprietary funds – The County charges customers for the services it provides (water and sewer service), whether to outside customers or to other units within the County. 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 Statement of Activities. In fact, the County's enterprise fund (a component of proprietary fund) is 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.

Fiduciary funds - 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.

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 29 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 proprietary fund and infrastructure modified approach. Supplementary information can be found on pages 56-57.

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 approximately $60 million at the close of the current fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

By far the largest portion of the County's net assets (95 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities
Summary of Net Assets - 5 Year Comparison

	2007	2008	2009	2010	2011
Current and other assets	$ 3,320,289	$ 3,292,933	$ 2,679,934	$ 1,637,078	$ 3,829,736
Capital assets	57,089,406	56,870,454	57,712,962	57,379,076	57,206,328
Total assets	60,409,695	60,163,387	60,392,896	59,016,154	61,036,064
Long term liabilities outstanding	425,994	486,633	350,606	273,574	321,840
Other liabilities	357,488	158,200	339,712	341,599	763,886
Total liabilities	783,482	644,833	690,318	615,173	1,085,726
Net assets:					
Invested in capital assets, Net of related debt	56,605,089	56,339,221	57,272,800	57,022,827	56,875,192
Restricted	1,546,326	1,404,074	1,254,453	1,378,154	1,868,961
Assigned	-	-	-	-	-
Unrestricted/Unassigned	1,474,798	1,775,259	1,175,325	-	1,206,186
Total net assets	$ 59,626,213	$ 59,518,554	$ 59,702,578	$ 58,400,981	$ 59,950,338

The largest portion of the County's net assets (95%) reflects its investement in capital assets (e.g., land, buildings, vehicles, machinery & equipment, and furniture & fixtures) less any related debt used to acquire those assets that are still outstanding. The County uses its capital assets to provide services to the citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Government's net assets, $1.7 million or 3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unassigned net assets, $1.4 million or 2%, may be used to meet the Government's ongoing obligations to citizens and creditors.

Governmental Activities

Change in Net Assets - 5 Year Comparison

Revenues:	2007	2008	2009	2010	2011
Program Revenues:					
Charges for services	$ 1,347,650	$ 1,375,401	$ 1,989,073	$ 1,061,037	$ 838,579
Operating grants	73,647	111,857	116,336	106,912	107,224
Capital Grants/ Contributions	-	-	29,991	43,744	237,317
General revenues:					
Taxes	2,166,780	2,235,280	2,233,322	2,120,136	1,639,733
Sales tax	754,264	810,261	702,694	788,020	1,734,952
Other taxes	-	-		-	888,994
Other	125,798	93,854	42,795	25,455	227,933
Total Revenues	4,468,139	4,626,653	5,114,211	4,145,304	5,674,732
Expenses:					
General government	959,332	772,301	1,212,519	1,164,039	1,072,613
Public safety	1,322,434	1,508,332	1,602,966	1,755,882	1,241,195
Judicial	344,565	373,767	382,126	395,460	323,364
Community Services	196,680	607,809	281,589	134,861	215,725
Health and Welfare	185,361	172,345	177,094	468,061	202,878
Public works	1,642,424	1,381,095	929,118	1,189,462	701,395
Culture & recreation	66,309	75,085	96,036	94,699	85,777
Interest on long-debt	22,299	24,228	17,039	30,223	1,407
Total expenses	4,739,404	4,914,962	4,698,487	5,232,687	3,844,354
Excess	(271,265)	(288,309)	415,724	(1,087,383)	1,830,378
Transfers	(65,580)	180,650	(231,700)	(214,214)	(52,811)
Increase (decrease) in net assets	(336,845)	(107,659)	184,024	(1,301,597)	1,777,567
Net assets, beginning of the year	59,963,058	59,626,213	59,518,554	59,702,578	58,400,981
Net assets, end of the year	$ 59,626,213	$ 59,518,554	$ 59,702,578	$ 58,400,981	$ 60,178,548

Business-type Activities
Summary of Net Assets - 5 Year Comparison

	2007	2008	2009	2010	2011
Current and other assets	$ 220,844	$ 299,369	$ 370,723	$ 344,887	$ 110,188
Capital assets	3,017,608	2,955,511	2,892,511	2,894,436	3,049,118
Total assets	3,238,452	3,254,880	3,263,234	3,239,323	3,159,307
Long term liabilities outstanding	479,626	470,824	461,683	452,277	445,632
Other liabilities	9,486	9,759	10,042	10,312	10,563
Total liabilities	489,112	480,583	471,725	462,589	456,195
Net assets:					
Invested in capital assets, Net of related debt	2,529,458	2,475,888	2,421,715	2,432,779	2,593,610
Restricted	134,951	212,709	276,582	261,446	-
Assigned	-	-	-	-	109,502
Unrestricted/Unassigned	84,931	85,700	93,212	82,509	-
Total net assets	$ 2,749,340	$ 2,774,297	$ 2,791,509	$ 2,776,734	$ 2,703,112

Revenues:	2007	2008	2009	2010	2011
Program Revenues:					
Charges for services	$ 45,163	$ 44,634	$ 37,763	$ 50,559	$ 58,964
Other	77,916	63,016	60,403	55,928	88
Total Revenues	123,079	107,650	98,166	106,487	59,052
Expenses:					
Water & Sewer	134,361	114,356	118,786	122,976	165,685
Total Expenses	134,361	114,356	118,786	122,976	165,685
Excess	(11,282)	(6,706)	(20,620)	(16,489)	(106,633)
Transfers	51,859	31,663	37,832	1,714	(79,040)
Increase (decrease) in net assets	40,577	24,957	17,212	(14,775)	(185,673)
Net assets, beginning of the year	2,708,763	2,749,340	2,774,297	2,791,509	2,776,734
Prior-period adjustment	-	-	-	-	112,051
Net assets, end of the year	$ 2,749,340	$ 2,774,297	$ 2,791,509	$ 2,776,734	$ 2,703,112

The County's net assets for the Water Fund (96%) reflects its investement in capital assets (e.g., land, buildings, vehicles, machinery & equipment, and furniture & fixtures) less any related debt used to acquire those assets that are still outstanding. The County uses its capital assets to provide services to the citizens. The remainder of net assets for the Water Fund ($109,502) are assigned to water system improvements for the County.

A prior-period adjustment was made for the inadvertent misstatement of SPLOST monies misclassified in the Water & Sewer Fund.

General Fund Budgetary Highlights

Both the original and amended budget included reserve funds in order to balance the revenues with expenditures. Every year, the County's overall goal is to provide essential services to our citizens as cost effectively and professionally as possible. The Board of Commissioners (BOC) works diligently to plan for the future while ensuring that current processes work as efficiently as possible and we continue to seek improvement. The County is proactive in cutting its costs of operations in order to stay financially sound during these economic times. For the year, revenues were $284,696 more than expected and the expenditures were $169,689 less than the budgeted amount. The increase in revenue was primarily from property taxes, sales tax, and other taxes.

Economic Factors and Next Year's Budgets and Rates

The Warren County Board of Commissioners (BOC) and their appointed officials have continued to aggressively address the current and future needs of the County. The County's elected and appointed officials consider many factors when setting the fiscal year 2010 budget, property tax rates, expected sales tax and insurance premium tax and various fees that will be collected. One of the factors is the economy. Warren County, Georgia is a small rural county with a population of approximately 5,800 in 2010. The United States and Georgia per capita income is $36,744 and $32,208, respectively, compared to Warren County's of $26,107. The 2011 unemployment rate was 17.4% for the County; however, the local economy remains strong. The 2011 tax digest will provide additional tax revenue.

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 Chairman, Warren County Board of Commissioners, Warren County Courthouse, P.O. Box 46, Warrenton, Georgia 30828.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the County had $60 million (net of accumulated depreciation) invested in capital assets. This investment in capital asset includes sheriff and fire equipment, buildings, park facilities, roads, and bridges. Major capital asset additions were major improvements made to the roadways totaling $361,882 and the improvements made to the sewer & water system totaling $239,925.

Capital Assets at year-end

	Governmental Activities	Business type Activities	Total
Land	$ 426,839	$ -	$ 426,839
Buildings & Improvements	6,471,566	-	6,471,566
Vehicle & equipment	5,249,102	-	5,249,102
Infrastructure	50,422,782	-	50,422,782
Construction in progress	-	-	-
Utility system		3,409,716	3,409,716
	62,570,289	3,409,716	65,980,005
Less accumulated depreciation	(5,363,961)	(360,598)	(5,724,559)
Total	$ 57,206,328	$ 3,049,118	$ 60,255,446
This year the major additions were:			
Land	$ -	$ -	$ -
Buildings & Improvements	104,629	-	104,629
Vehicle & equipment	81,800	-	81,800
Infrastructure	361,882	-	361,882
Construction in progress	-	-	-
Utility system	-	239,925	239,925
	$ 548,311	$ 239,925	$ 788,236

See the notes to the financial statements for more detailed information on the capital asset activity.

Debt

At year end the County had the following debt outstanding:

	2010	2011
Governmental:		
Notes Payable - USDA	$ 321,963	$ 273,575
Note Payable - John Deere	-	57,561
Business-type:		
Note Payable-USDA	372,250	361,489
Note Payable-GEFA	89,406	84,143
	$ 783,619	$ 776,768

See the notes to the financial statements for more detailed information on the County's debt.

WARREN COUNTY, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current assets				
Cash & cash equivalents	$ 3,175,337	$ 110,188	$ 3,285,525	$ 479,902
Receivables, net				
Taxes	136,705	-	136,705	-
Accounts/notes	118,006	-	118,006	-
Other	-	-	-	34,386
Internal balances	373,916	-	373,916	-
Prepaid expenses	25,772	-	25,772	-
Total current assets	3,829,736	110,188	3,939,924	514,288
NONCURRENT ASSETS				
Capital assets				
Land	426,839	-	426,839	-
Buildings & improvements	6,471,566	-	6,471,566	-
Vehicle & equipment	5,249,102	-	5,249,102	1,174,996
Infrastructure	50,422,782	3,409,716	53,832,498	-
Construction in progress	-	-	-	-
	62,570,289	3,409,716	65,980,005	1,174,996
Less accumulated depreciation	(5,363,961)	(360,598)	(5,724,559)	(439,987)
Total noncurrent assets	57,206,328	3,049,118	60,255,446	735,009
Total assets	$ 61,036,064	$ 3,159,307	$ 64,195,371	$ 1,249,297

	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current liabilities				
Accounts payable	$ 177,040	$ 687	$ 177,727	$ -
Accrued expenses	-	-	-	4,029
Due to other governmental funds	439,529	-	439,529	-
Current portion of long-term debt	72,627	9,876	82,503	24,504
Deferred revenue	56,549			
Other liabilities	18,140	-	18,140	5,954
Total current liabilities	763,886	10,563	717,900	34,487
LONG TERM LIABILITIES				
Long term debt, net of current portion	258,509	445,632	704,141	879,251
Net Pension Obligation	63,331	-	63,331	-
Total long term liabilities	321,840	445,632	767,472	879,251
Total liabilities	1,085,726	456,195	1,485,372	913,738
Net assets				
Invested in capital assets net of related debt	56,875,192	2,593,610	59,468,802	(168,746)
Restricted for:				
Capital Projects	1,613,924	-	1,613,924	-
Programs	54,108	-	54,108	-
Special Revenues	200,929	-	200,929	28,107
Assigned	-	109,502	109,502	-
Unassigned	1,206,186	-	1,206,186	476,198
Total net assets	$ 59,950,338	$ 2,703,112	$ 62,653,451	$ 335,559

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

WARREN COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
Primary Government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Functions/Programs								
Governmental Activities								
General government	$ 1,072,613	$ 465,368	$ -	$ -	$ (607,245)	$ -	$ (607,245)	$
Public safety	1,241,195	373,211	-	-	(867,984)	-	(867,984)	
Judicial	323,364	-	-	-	(323,364)	-	(323,364)	
Public works (highways & streets)	701,395	-	-	-	(701,395)	-	(701,395)	
Health & Welfare	202,878	-	-	-	(202,878)	-	(202,878)	
Culture & recreation	85,777	-	-	163,999	78,223	-	78,223	
Community Services	215,725	-	-	72,603	(143,122)	-	(143,122)	
Interest	1,407	-	107,224	715	106,532	-	106,532	
Total Governmental Activities	3,844,354	838,579	107,224	237,317	(2,661,234)	-	(2,661,234)	
Business Type Activities								
Water	165,685	58,964	88	-	-	(106,633)	(106,633)	
Total Business Type Activities	165,685	58,964	88	-	-	(106,633)	(106,633)	
Total Primary Government	$ 4,010,039	$ 897,543	$ 107,312	$ 237,317	$ (2,661,234)	$ (106,633)	$ (2,767,867)	$
Warren County Development Authority	$ 265,200	$ 148,316	$ 2,865	$ -				(114,019)
Warren County Health Department	141,448	28,108	119,418	-				6,078
Total Component Units	$ 406,648	$ 176,424	$ 122,283	$ -				(107,941)
General revenues								
Property taxes					1,639,733	-	1,639,733	-
Sales taxes					1,734,952	-	1,734,952	-
Other taxes					888,994	-	888,994	-
Other					227,933	-	227,933	-
Total General Revenues					4,491,612	-	4,491,612	-
Transfers					(52,811)	(79,040)	(131,851)	-
Total General Revenues & Transfers					4,438,801	(79,040)	4,359,761	-
Change in Net Assets					1,777,567	(185,673)	1,591,894	(107,941)
Net Assets - Beginning of Year					58,172,771	2,776,734	60,949,505	443500
Prior-period adjustment					-	112,051	112,051	-
Net Assets - End of Year					$ 59,950,338	$ 2,703,112	$ 62,653,450	$ 335,559

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

WARREN COUNTY, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2011

ASSETS	General Fund	Capital Projects Fund	SPLOST Fund	Revolving Loan Fund	Planning Commission Fund	Emergency 911 Fund	Other Governmental Funds	Combined Totals
Cash & cash equivalents	$ 1,262,827	$ 37,362	$ 1,045,735	$ 504,207	$ 60,607	$ 9,562	$ 255,037	$ 3,175,337
Accounts receivable	204,894	-	49,817	-	-	-	-	254,711
Other receivables	-	-	-	-	-	-	-	-
Prepaid expenses	25,772	-	-	-	-	-	-	25,772
Due from enterprise fund	-	-	-	-	-	-	-	-
Due from others	283,992	-	-	-	-	89,924	-	373,916
Total assets	$ 1,777,485	$ 37,362	$ 1,095,552	$ 504,207	$ 60,607	99,486	$ 255,037	$ 3,829,736
LIABILITIES								
Accounts Payable	$ 117,040	$ -	$ -	$ -	$ 60,000	-	$ -	$ 177,040
Due to enterprise fund	-	-	-	-	-	-	-	-
Due to others	191,547	-	23,804	-	-	224,178	-	439,529
Deferred Revenue	56,549							56,549
Other liabilities	81,471	-	-	-	-	-	-	81,471
Total liabilities	446,608	-	23,804	-	60,000	224,178	-	754,590
Fund balance								
Restricted for:								
Capital Projects	-	37,362	1,071,748	504,207	607	-	-	1,613,924
Program	-	-	-	-	-	-	54,108	54,108
Special revenues	-	-	-	-	-	-	200,929	200,929
Unassigned	1,330,878	-	-	-	-	(124,692)	-	1,206,186
	1,330,878	37,362	1,071,748	504,207	607	(124,692)	255,037	3,075,146
Total liabilities and fund balance	$ 1,777,485	$ 37,362	$ 1,095,552	$ 504,207	$ 60,607	99,486	$ 255,037	$ 3,829,736

The Notes to 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, 2011

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

Total fund balances - Governmental funds	$	3,075,146
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds		(331,136)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds		57,206,328
Net assets of governmental activities	$	59,950,338

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
FOR THE YEAR ENDED JUNE 30, 2011

	General	Capital Projects Fund	SPLOST Fund	Revolving Loan Fund	Planning Commission Fund	Emergency 911 Fund	Other Governmental Funds	Combined Totals
REVENUE								
Taxes	$ 2,528,727	$ -	$ -	$ -	$ -	-	$ -	$ 2,528,727
Permits & licenses	2,771	-	-	-	-	-	-	2,771
Fines & forfeitures	9,234	-	-	-	-	-	83,317	92,551
Intergovernmental revenue	874,224	67,836	792,892	-	-	-	-	1,734,952
Charges for services	797,790	-	-	-	-	80,288	-	878,078
Uses of money/property	106,589	73	715	376	40	-	145	107,939
Grants	163,999	-	72,603	-	-	-	-	236,602
Other	76,535	-	56,932	-	-	89,924	4,542	227,933
Total revenue	4,559,870	67,909	923,142	376	40	170,212	88,004	5,809,553
EXPENDITURES								
Current Operating								
General government	1,071,596	-	47	-	-	-	35	1,071,679
Public safety	1,140,423	-	-	-	-	312,202	48,338	1,500,963
Judicial	323,364	-	-	-	-	-	-	323,364
Public works (highways & streets)	682,870	64,715	24,637	-	-	-	-	772,222
Health & Welfare	202,878	-	-	-	-	-	-	202,878
Culture and recreation	66,716	-	-	-	-	-	-	66,716
Community Services	104,456	-	-	-	-	-	-	104,456
Intergovernmental	40,663	3,046	187,803	-	-	-	-	231,512
Total expenditures	3,632,967	67,761	212,487	-	-	312,202	48,373	4,273,790
Excess (deficiency) of revenues over expenditures	926,903	148	710,655	376	40	(141,990)	39,630	1,535,763
OTHER FINANCING SOURCES (USES)								
Face amount of long-term debt	72,931	-	-	-	-	-	-	72,931
Sale of assets								-
Transfers in	53,000	-	-	-	-	6,881	331	60,212
Transfers (out)	(105,811)	-	(141,676)	-	-	-	(53,231)	(300,718)
Total other financing sources and (uses)	20,120	-	(141,676)	-	-	6,881	(52,900)	(167,575)
Net change in fund balances	947,023	148	568,979	376	40	(135,109)	(13,270)	1,368,188
Fund balance -								
Beginning of year	383,855	37,214	502,769	503,831	567	10,417	268,577	1,707,229
End of year	$ 1,330,878	$ 37,362	$ 1,071,748	$ 504,207	$ 607	(124,692)	$ 255,307	$ 3,075,417

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

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 1,368,188
Long-term debt proceeds provide current financial resources to Governmental Funds but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The debt payments were $63,758. The debt proceeds were $72,931.		9,173
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. in the current period.		
Capital Outlays	548,311	
Contributed Assets	-	
Less: Depreciation	(271,059)	277,252
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Deferred Property Taxes @ 6/30/2010	(48,540)	
Deferred Property Taxes @ 6/30/2011	56,549	8,009
The net revenue of certain activities is reported with governmental activities.		114,945
Changes in net assets of governmental activities		$ 1,777,567

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

WARREN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 2,185,000	$ 2,185,000	$ 2,528,727	$ 343,727
Permits & licenses	5,400	5,400	2,771	(2,629)
Fines & forfeitures	8,400	8,400	9,234	834
Intergovernmental revenue	300,000	300,000	874,224	574,224
Charges for services	901,800	901,800	797,790	(104,010)
Uses of money/property	30,000	30,000	106,589	76,589
Grants	71,000	71,000	163,999	92,999
Other	228,686	260,393	76,535	(183,858)
Total revenues	3,730,286	3,761,993	4,559,870	797,877
EXPENDITURES				
General government	1,055,737	1,037,112	1,071,596	34,484
Public safety	1,341,338	1,366,235	1,140,423	(225,812)
Judicial	293,524	320,055	323,364	3,309
Public works (highways & streets)	652,589	648,885	682,870	33,985
Health & Welfare	201,777	198,585	202,878	4,293
Culture and recreation	63,142	66,292	66,716	424
Sanitation	-	-	-	-
Other	-	-	-	-
Community Services	122,179	124,829	104,456	(20,373)
Intergovernmental	-	-		-
Total expenditures	3,730,286	3,761,993	3,592,304	(169,689)
Revenue over expenditures	-	-	967,566	967,566
OTHER FINANCING SOURCES				
Sale of assets	-	-	-	-
Transfers in	-	-	674,809	674,809
Transfers (out)	-	-	(153,478)	(153,478)
	-	-	521,331	521,331
Net change in fund balance	-	-	1,488,897	1,488,897
Fund balance, beginning of year	1,240,657	1,240,657	1,240,657	-
Fund balance, end of year	$ 1,240,657	$ 1,240,657	$ 2,729,554	$ 1,488,897

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

WARREN COUNTY, GEORGIA
PROPRIETARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS		
Current assets		
Cash in bank	$	110,188
Receivables		-
Due from others		-
Due from governmental funds		-
Total current assets		110,188
Property plant and equipment, at cost		
Land		-
Water and sewer plant system		3,409,716
Construction in process		-
Machinery & equipment		-
		3,409,716
Less accumulated depreciation		360,598
		3,049,118
Total assets	$	3,159,307
LIABILITIES		
Current Liabilities		
Accounts payable	$	-
Current Maturities of Long Term Debt		9,876
Customer deposits		687
Due to governmental funds		-
Total current liabilities		10,563
Long term liabilities		
USDA loan		361,489
GEFA loan		84,143
Total long term liabilities		445,632
Net Assets		
Invested in capital assets net of related debt		2,593,610
Assigned		109,502
		2,703,112
Total liabilities and net assets	$	3,159,307

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

WARREN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES	
Water and sewer sales	$ 58,964
Sewer taps	-
Service charge/penalties	-
Other	-
Total operating revenues	58,964
OPERATING EXPENSE	
Dues and subscriptions	175
Insurance	-
Utilities	-
Maintenance and repair	-
Chemicals	-
Postage and supplies	132
Miscellaneous	-
Water charges	57,775
Depreciation	85,243
Professional fees	989
Testing and training	2,968
Vehicle expense	-
Total operating expenses	147,282
Operating income (Loss)	(88,318)
NON-OPERATING REVENUE (EXPENSE)	
Interest income	88
Grant Income	-
Gain on sale of asset	-
Interest expense	(18,403)
Total non-operating expenses	(18,315)
Income (loss) before transfers and contributions	(106,633)
Transfers in	240,506
Transfers (out)	(319,546)
Capital Contribution	-
Change in net assets	(185,673)
Total net assets, beginning of year	2,776,734
Prior-period adjustment	112,051
Total net assets, end of year	$ 2,703,112

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

WARREN COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:		
Cash received from customers and others	$	58,964
Cash payment to suppliers		(38,166)
Cash payment to employees		-
		20,798
Cash flows from noncapital financing activities:		
Transfers from other funds		98,830
Transfers to other funds		(319,546)
		(220,716)
Cash flows from capital and related activities:		
Tranfers from SPLOST		141,676
Acquisition of capital assets		(239,925)
Disposition of capital assets		-
Principal paid on long-term debt		(6,644)
Interest paid on long-term debt		(18,403)
Loan proceeds		-
Capital contributions		-
		(123,296)
Cash flows from investing activities:		
Interest on cash and investment		88
Net increase in cash and cash equivalents		(323,126)
Cash and cash equivalents, beginning of year		321,263
Prior-period adjustment		112,051
Cash and cash equivalents, end of year	$	110,188
Reconciling operating income to net cash provided by operating activities:		
Operating income (loss)	$	(88,318)
Adjustment		
Depreciation		85,243
Decrease in Accounts Receivable		-
Increase in Prepaid Expenses		-
Decrease in Other Receivables		-
Decrease in accounts and other payables		23,873
Net cash provided by operating activities	$	20,798

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

WARREN COUNTY, GEORGIA
COMBINING STATEMENT OF NET ASSETS
DISCREETLY PRESENTED COMPONENT UNITS
JUNE 30, 2011

	Warren County Development Authority Enterprise Fund	Warren County Board of Health Fund	Totals
ASSETS			
Current assets			
Cash	$ 406,054	$ 73,848	$ 479,902
Accounts receivable	23,804	3,082	26,886
Total current assets	429,858	76,930	506,788
Restricted assets			
Receivables	7,500	-	7,500
Total restricted assets	7,500	-	7,500
Capital assets			
Property & equipment	1,174,996	-	1,174,996
Less accumulated depreciation	(439,987)	-	(439,987)
Total capital assets, net	735,009	-	735,009
Total assets	1,172,367	76,930	1,249,297
LIABILITIES			
Current liabilities			
Accrued Interest/Accounts Payable	3,829	200	4,029
Current liabilities payable from restricted assets - note payable	24,504	-	24,504
Total current liabilities	28,333	200	28,533
Long term liabilities			
Obligations for accrued compensated absences	-	5,954	5,954
Notes payable	879,251	-	879,251
Total long term liabilities	879,251	5,954	885,205
Total liabilities	907,584	6,154	913,738
Net assets			
Invested in capital assets, net of related debt	(168,746)	-	(168,746)
Restricted	-	28,107	28,107
Unassigned	433,529	42,669	476,198
Total net assets	$ 264,783	$ 70,776	$ 335,559

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

WARREN COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
FUNCTION/PROGRAM:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Warren Cty Development Authority	Warren Cty Public Health Program	Total
Warren County Development Authority							
Governmental type activities	$ 265,200	$ 148,316	$ 2,865	$ -	$ (114,019)	$ -	$ (114,019)
Warren County Public Health Program							
Governmental type activities							
Health and welfare	141,448	28,108	119,418	-	-	6,078	6,078
Total component units	$ 406,648	$ 176,424	$ 122,283	$ -	(114,019)	6,078	(107,941)
		General revenue			-	-	-
		Other			-	-	-
		Transfers			-	-	-
		Total general revenue			-	-	-
		Changes in net assets			(114,019)	6,078	(107,941)
		Net assets, beginning of year			378,802	64,698	443,500
		Net assets, end of year, restated			$ 264,783	$ 70,776	$ 335,559

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

WARREN COUNTY, GEORGIA
DISCRETELY PRESENTED COMPONENT UNIT
DEVELOPMENT AUTHORITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from customers and others	$ 148,316
Cash payment to vendors	(35,272)
	113,044
Cash flows from noncapital financing activities:	
Operating contributions	2,864
Transfers, net	-
	2,864
Cash flows from capital and related activities:	
Transfers to SPLOST	(200,000)
Receipts from special assessments	-
Acquisition of capital assets	5,800
Disposition of capital assets	-
Principal paid on long-term debt	(74,548)
Interest paid on long-term debt	(17,131)
Loan proceeds	-
Capital contributions	-
	(285,879)
Cash flows from investing activities:	
Interest on cash and investment	1,746
Net increase in cash and cash equivalents	(168,225)
Cash and cash equivalents, beginning of year	574,279
Cash and cash equivalents, end of year	$ 406,054

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

The history of Warren County precedes the birth of our Nation. Many of the old deeds recorded in the Office of the Clerk of Superior Court of Warren County refer to certain plots of land lying east of the 82nd parallel (which runs almost through the center of Warrenton) as being derived from grants from King George III of England.

The rest of the land lying to the west was described as being wild land. During colonial times, this land was known as St. Paul's Parish.

Warren County, rich in Southern history and tradition, was created from parts of Columbia, Hancock, Richmond and Wilkes counties by an act of the legislature on December 19, 1793.

The county, Georgia's 20th, was named for Revolutionary War hero, General Joseph Warren from Massachusetts, who was killed early in the American Revolution at the Battle of Bunker Hill. In 1857, Glascock County was created entirely from Warren County. Also, portions of Warren County were used to create Jefferson County (1796), Taliaferro County (1825), and McDuffieCounty(1870).

A commission was named by the General Assembly to select the county seat and erect a courthouse and jail. Until that action was taken, Warren County courts were to meet in the house of James McCormick. By 1796, no county seat had been selected, so the General Assembly directed that county courts temporarily meet at the house of Sterling Gardner. An act of Feb. 9, 1797 designated a lot on Gardner's plantation as the permanent county seat of Warren County. This lot became the town of Warrenton, which the General Assembly incorporated on Dec. 8, 1810.

The beautiful Warren County Courthouse with its architecturally significant structure is listed on the National Register of Historic Places. Located in the county seat, the courthouse and the Confederate Monument are the center pieces of Warrenton's business community.

The County operates under a Commissioner form of government and is governed by a three member elected board of county commissioners, which is governed by state statutes and regulations. There are certain elected officials whose operations are wholly included within the financial records and financial statements of the County. These elected officials include the Sheriff, Tax Commissioner, Probate Court Judge, Magistrate Court Judge, and Clerk of Superior Court. The County's major services include general government, judicial, public safety, public works, health and welfare, library, recreation and housing and development.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Warren County, Georgia (the County) complies with Generally Accepted Accounting Principles (GAAP) pronouncements. Proprietary funds 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 most significant of the County's accounting policies are described below.

A. Financial Reporting Entity – Basis of Presentation

Primary Government

The County provides the following services: public safety, streets and highways, public improvements, judicial, health and welfare, culture and recreation, 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 relationships (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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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.

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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (continued)

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 as 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 judgments, are recorded only when the liability has matured and payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable are due within the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The **General Fund** is the 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,

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public works, streets, recreation health and welfare, and capital acquisition.

The Capital Projects Fund accounts for the financial resources to be used for the purchase and construction of major projects lasting longer than one year, other than those accounted for in specific funds.

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

Revolving Loan Fund was created when a grant was received by the County for the purpose of providing funds by way of a loan to encourage industry to locate in the County. This fund accounts for the prepayment of the principal and interest on the loan.

Planning Commission Fund was created when a grant was received by the County for the purpose of providing funds by way of a loan to encourage industry to locate in the County. This fund accounts for the prepayment of the principal and interest on the loan.

Emergency 911 Fund accounts for the 911 fees assessed on landline and cellular telephones used for the maintenance and operations of the 911 service.

Proprietary Fund 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 **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. On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The County reports the following proprietary fund:

Water and Sewerage Fund to account for water and sewer operations as well as construction and maintenance of water and sewerage projects.

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.

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

The County reports the following non-major governmental funds:

CDGB Fund – to account for Capital Project funds which are used to account for financial resources to be used for sewer system improvements.

Jail Fund – to account for fines charged by the County to be used for jail improvements

Sheriff Drug Fund - to account for fines charged by the County and funds donated to the Sheriff's office.

Volunteer Fireman Fund - to account for funds donated to the Fire Department.

Drug Abuse & Treatment Fund – to account for fines charged by the County to be used for drug abuse treatment and prevention.

Disaster Relief Fund – to account for funds donated for emergency relief efforts in the County.

Law Library Fund – to account for activity for the Warren County Law Library.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the County reports the following fund types:

Agency Funds – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds:

Clerk of Court – to account for the receipt and disbursement of court ordered fines and fees made on behalf of third parties.

Probate Court – to account for the receipt and disbursement of funds held on behalf of others and fees for services provided under State law.

Magistrate Court – to account for the receipt and disbursement of bonds and court ordered fines and fees made on behalf of third parties.

Sheriff's Office – to account for the receipt and disbursement of fees and services provided under State law.

Tax Commissioner – to account for tax billings, collections, and remittances held by the Tax Commissioner on behalf of other governmental agencies.

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 records 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 tax 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 vehicles, 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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	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 their historical cost 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.

GASB Statement No. 51 requires the County to report right-of-way easements as a single "land use rights" major capital asset classification with the year ended June 30, 2011. Prior to this statement, the County reported right-of-way easements with the value of the "land" major capital asset classification. The County has opted not to separate right-of-way easements retroactively.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Compensated Absences and Post Retirement Benefits

The cost of vacation pay is not recorded until such benefits are paid. Unpaid vacation is accrued at year end if the amount exceeds normal year's accumulations. Unpaid vacation pay at June 30, 2011 did not exceed normal year's accumulation. Accumulated sick pay benefits have not been recorded as a liability because these benefits are only paid upon the illness of an employee, and the amount of such payments cannot be reasonably estimated.

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 business-type activities of net assets.

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

10. Fund Balance

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) non in spendable form or (b) legally or contractually required to be maintained intact.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners through the adoption of resolution. Only the Board of Commissioners may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners has authorized the County's finance committee or the County's finance director to assign fund balances.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

11. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted as described in the fund balance section above.

12. Use of Estimates

The preparation of basic financial statements in conformity 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Stewardship, Compliance and Accountability Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds on an accrual basis, except the General Fund is presented on a cash basis. All annual appropriations lapse at fiscal year end. Special revenue funds and capital project funds of Warren County are generally for the purchase of capital assets and short-term construction projects respectively.

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 Governmental Funds:

- 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 a 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, the actual data is similarly 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.

NOTE II – 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.

NOTE II – DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES (CONTINUED)

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.

Category	Governmental Activities	Primary Activities	Component Units
1	$ -	$ -	$ -
2	3,175,337	110,188	479,902
3	-	-	-
Total	$ 3,175,337	$ 110,188	$ 479,902

At June 30, 2011, the County's total book cash balance and bank deposit balance, including certificates of deposit, totaled $3,285,525. The Development Authority's and Board of Health's total book cash balances and bank deposit balances, including certificates of deposit, totaled $479,902.

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 III – PROPERTY TAXES AND OTHER RECEIVABLES

Primary Government

As stated previously, the County's Tax Commissioner bills and collects property taxes, then remits the County its respective share of property taxes. Property taxes for 2009 were levied on October 20, 2010 and were due December 20, 2010. The unpaid taxes became a lien thirty

NOTE III - TAXES AND OTHER RECEIVABLES (CONTINUED)

Primary Government (Continued)

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 (as 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, 2011 totaled $361,043.

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.

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 and remittance of taxes to other entities are accounted for in the agency funds.

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:

	Governmental Activities	Business-type Activities	Component Units	Total
Receivables, net				
Taxes	$ 136,705	$ -	$ -	$ 136,705
Accounts/notes	118,006	-	-	118,006
Other	-	-	34,386	34,386
Total	$ 254,711	$ -	$ 34,386	$ 289,097

NOTE IV - CAPITAL ASSETS

General 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	$ -	$ -	$ 426,839
Construction in progress	-	-	-	-
Infrastructure	50,060,900	361,882	-	50,422,782
Total capital assets, not being depreciated	50,487,739	361,882	-	50,849,621
Capital assets, being depreciated				
Buildings & improvements	6,366,937	104,629		6,471,566
Vehicle & equipment	5,167,302	81,800	-	5,249,102
	11,534,239	186,429	-	11,720,668
Less accumulated depreciation				
Buildings & improvements	(1,150,090)	(104,090)		(1,254,180)
Vehicles & equipment	(3,942,812)	(166,969)		(4,109,781)
	(5,092,902)	(271,059)	-	(5,363,961)
Total capital assets being depreciated, net	6,441,337	(84,630)	-	6,356,707
Governmental activities capital assets, net	$ 56,929,076	$ 277,252	$ -	$ 57,206,328

NOTE IV - CAPITAL ASSETS (CONTINUED)

General Government (Continued)

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. Additionally, infrastructure has been added to the capital assets balance.

Depreciation expense for year ended June 30, 2011 was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	$ 16,767
Public safety	67,871
Sanitation	-
Fire	29,906
Community Services	111,269
Public works	26,186
Culture & recreation	19,060
Total deprecation expense - governmental activities	$ 271,059

Proprietary Fund

A summary of changes in Business-type activities capital assets follows:

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Construction in progress	$ -	$ -	$ -	$ -
Land	-	-	-	-
Total capital assets, not being depreciated	-	-	-	-
Capital assets, being depreciated				
Vehicles and equipment	-	-	-	-
Utility systems	3,169,791	239,925	-	3,409,716
Total capital assets, being depreciated	3,169,791	239,925	-	3,409,716
Less accumulated depreciation				
Vehicles and equipment	-	-	-	-
Utility systems	(275,355)	(85,243)	-	(360,598)
Total accumulated depreciation	(275,355)	(85,243)	-	(360,598)
Total capital assets being depreciated, net	2,894,436	154,682	-	3,049,118
Capital assets, net	$ 2,894,436	$ 154,682	$ -	$ 3,049,118

NOTE V - 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 an ambulance for Emergency Medical Services (EMS) Department.

Lease obligations for the fiscal year ended June 30, 2011 comprise the following:

Capital Lease	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Vehicles	$ 34,286	$ -	$ 34,286	$ -

Notes payable - General Fund

The County obtained a loan from USDA Rural Development in the amount of $497,090 for the purpose of purchasing public works equipment and emergency service equipment. The loan was closed on September 23, 2005. The loan is payable in the ten annual installments of $61,669 including interest at 4.125% per annum beginning September 26, 2006. Interest expense for 2011 was $13,280.

Principal and interest payments are as follows:

	Principal	Interest	Total Payments
2012	$ 50,384	$ 11,285	$ 61,669
2013	52,462	9,207	61,669
2014	54,626	7,043	61,669
2015	56,880	4,789	61,669
2016	59,223	2,446	61,669
	$ 273,575	$ 34,770	$ 308,345

In December 2010, the County entered into an agreement with John Deere for the purchase of a backhoe. The interest rate on the loan is 4.55%. The first payment was due in December 2010. Interest expense for 2011 was $1,407.

Principal and interest payments are as follows:

	Principal	Interest	Total Payments
2012	$ 22,243	$ 2,067	$ 24,310
2013	23,277	1,033	24,310
2014	12,041	114	12,155
	$ 57,561	$ 3,214	$ 60,775