

INTRODUCTORY SECTION



December 31, 2008

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

The Comprehensive Annual Financial Report (CAFR) of Columbia County, Georgia, for the year ended June 30, 2008, was prepared by the Columbia County Financial Services Division and is hereby submitted. This CAFR is being formally submitted as required by the Official Code of Georgia Annotated, Section 36-81-7 and Rule 15c2-12 of the Securities Exchange Act of 1934. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the County as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Columbia County's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

Columbia County, established in 1790 and named in honor of Christopher Columbus, is located in the Central Savannah River Area of Georgia approximately 135 miles east of Atlanta and five miles northwest of Augusta/Richmond County. The 290 square mile county is bounded on the north by Thurmond Lake and the Savannah River (separating Columbia County from Lincoln County, Georgia, and McCormick and Edgefield Counties, South Carolina), on the south and east by Augusta/Richmond County, and on the west by McDuffie County.

A five-member Board of Commission governs Columbia County. The Board is comprised of one chairman, elected county wide, and four commissioners, each elected from a separate commission district serving four year staggered terms. A County Administrator, who is appointed by and

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responsible to the Board, directs the daily operation of the County. Services provided to the approximately 100,000 residents include: public safety (Sheriff's Office, detention center, E911, fire), emergency services, community services, public works, planning and development, and other general governmental services. The County also provides water, sewer, and storm water services to the public.

FINANCIAL REPORTING ENTITY

The financial reporting entity includes all activities and functions of the primary government (i.e., Columbia County, Georgia) as well as all related component units, if any. "Financial Accountability" is the benchmark used to determine which legally separate entities represent component units of the primary government. Blended component units, although legally separate entities, are, in substance, an integral part of the primary government's operations and, therefore, are included as part of the primary government. Accordingly, the Columbia County Solid Waste Management Authority is reported as an Enterprise Fund of the primary government because its sole purpose is to perform development, leasing, and long-term planning of a solid waste facility for the County.

The Development Authority of Columbia County, the Columbia County Board of Health, the Columbia County Convention and Visitors Bureau (CCCVB), and Bartram Trail, CDC, Inc. are reported as discretely presented component units in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions. The Development Authority serves to promote, pursue, and implement economic development in the County. The Board of Health serves to operate the public health department of the County. The CCCVB provides convention and tourist promotion services for the benefit of the County. Bartram Trail, CDC, Inc. is a community development corporation created to develop, construct, and operate a public golf course in Columbia County.

ECONOMIC CONDITION AND OUTLOOK

The citizens of Columbia County trust the County's government to do what they promise to do. This confidence is well founded because:

- For the tenth year in a row, the County has not raised the millage rate for existing services.
- We maintain an "AA" bond rating from S & P, Moody's, and Fitch, that makes Columbia County one of only five counties in Georgia to attain this high bond rating. In December 2008, we presented our credentials to the same bond rating companies and hope to receive their ratings in early January 2009.
- We have also received the *Certificate of Achievement in Financial Reporting* for the tenth consecutive year.

These three accomplishments are the best verification that the County is fiscally responsible, is handling rapid growth well, and has a vision for the future.

This year, MONEY magazine recognized the County twice. We place 19th for the *Best Places*

for Job Growth in America and 9th as for *Best Places for Affordable Homes*. These two distinctions are the key to any prosperous community – growing job base and affordable housing. Blend this with our fiscally responsible government, excellent schools, mild weather, and premier quality of life, it is understandable that we are growing at an average of 4.75% each year.

Even with the severe downturn in the nation's economy, the County continues to build homes and retail/commercial entities. Medical facilities are expanding and offer many choices for our citizens. One hospital in a neighboring county has applied to build a trauma center in the population center of Columbia County which would be an incredible asset.

As we continue to build and grow, great efforts are being made on acquiring 20 % of the County as greenspace. We are currently at the one-third point of this goal with continuing plans for much more. Environmentally sound tree protection, stormwater management, transportation, and utility needs are growth topics being focused upon by the Board of Commissioners as they plan for future generations. Developers are required to meet strict standards that have relieved the County from instituting impact fees. Our outstanding school system is averaging a new school each year to keep up with the growth.

We are becoming a popular destination for retirees and our golf course/residential communities are flourishing by offering a variety of housing types and amenities. New home construction in the County is continuing with single family homes beginning at \$180,000. Area homebuilders continue to make application for subdivision plats and building permits. Permits for new single-family home construction have decreased slightly in 2008 to 701; however, permits for commercial projects are steadily increasing. To illustrate the long-term planning and investment in Columbia County, 34 subdivision final plats (43 in 2007) and 21 preliminary subdivision lots (40 in 2007) were issued as well as 701 single-family building permits.

Retail and commercial entities are opening up, and sales tax figures illustrate that Columbia County citizens are spending more of their effective buying income in the County. The County has strived to provide needed infrastructure for proposed projects and works well with the building community. Transportation needs continue to be a top priority, and the Georgia DOT is working closely with the County to ensure safety and adequate roadways. The biggest project in our newly-passed 2011-2016 SPLOST (Special Purpose Local Option Sales Tax) is a \$39.3 million road widening project that the County is building because GA DOT does not have the funding.

The activity level for retail and commercial development is ongoing with much growth along the major transportation thoroughfares of Washington Road, Belair Road, Interstate 20 intersections, and Fury's Ferry Road. Lowe's and a Home Depot (with several adjoining shops and restaurants) have opened diagonally from each other in the Evans Town Center. Several small shopping centers have been built recently, and an expanded choice of shops and restaurants is now available. Business licenses are growing steadily with 4,432 in 2007 and 5242 in 2008.

A large 650+ acre retail/industrial/governmental center adjacent to I-20 called The Gateway is

under development. Site preparation has been done for a Wal-Mart and out parcels on the initial 55 acres. The County plans to acquire a total of 150 acres in the Gateway for County facilities and parks. Funding in the current SPLOST will be used to improve the site.

A significant medical corridor continues to develop on Belair Road with University Hospital doubling the size of their current facility. Many physicians, including the area's largest OB/GYN practice, have moved from downtown Augusta which allows their personnel to enjoy working close to their patients and their own homes. The area hospitals have also invested in the community by providing free outdoor concerts by the Augusta Symphony which thousands attend as well as supporting many community activities.

The County's Development Authority is building a spec building which should be completed soon. Public/private partnerships have been most successful, and the concept is being encouraged throughout the County. The Horizon South Industrial Park, which had almost reached full capacity, has obtained additional property, and the groundbreaking for a satellite campus of Augusta Tech occurred this summer; however, lack of promised funding from the State is keeping this project in limbo.

Two new enterprises for the County include the beginning of a recycling program and a partnership with the State Patrol to locate a new post in Columbia County. Both the new recycling center and the State Patrol post will be located on the same site as well as a new, consolidated health department and animal control facility. This site is on our closed landfill property and is conveniently located in the center of the County. Design and construction of these projects will begin in 2009.

The Clarks Hill Partnership of Georgia was established to encourage economic opportunities and growth around the beautiful Lake Thurmond. This dynamic partnership is composed of Columbia, Lincoln, McDuffie, Washington, and Wilkes Counties and provides opportunities for grants and increased tourism. Immediate projects include the expansion of the McDuffie Airport and the Regional Business Retention and Expansion Program as well as tourism.

All efforts are focused on better customer service and cost-efficiency as we start to view ourselves from a business perspective. The County's continued growth and high quality of life are bringing in citizens from all walks of life and from all areas of the world – a welcome diversity. The Board of Commission is dedicated to providing a streamline and fiscally responsible government as we anticipate a robust future.

MAJOR CURRENT YEAR INITIATIVES

2007 Bond Projects. The County's goal to complete 42 general obligation (GO) bond projects in three years is about to complete its second year. Water, transportation, recreation, and public safety projects are in all phases of planning and implementation. Quarterly, citizens are informed by an insert in their water bills on the progress of these projects.

Public/Private Partnerships. As part of the 2011-2016 SPLOST, the County will partner with the Columbia County Merchants Association to build an 87,000 sq ft, building with a roof and open sides to hold horse events, tradeshow, etc. This is a bonded project and will be completed before 2011.

Balanced Budget With No Millage Increase and a Rollback. For ten years, the County has been able to balance the budget without a millage increase. No decrease was made to the funding for fire service or bond debt service.

Recreation/Parks. The County hosted its fourth ESPN/BASSMaster tournament at Wildwood Park which continues to be a success for both the County and ESPN. Wildwood Park is now the destination for 42 major fishing tournaments and has increased the use of this 975-acre park overall. The home of the PDGA International Disc Golf Center at Wildwood Park brings in several large tournaments a year. The new Blanchard Woods Park has been completed and offers six soccer fields and a cross-country track as well as other amenities. These facilities have been long-awaited and more park land is being sought.

Reed Creek Interpretive Center in Reed Creek Park has provided an educational venue for the area and is increasing in size as greenspace is being acquired. Classes for all ages are available.

Water. The Water and Sewer Division continues to perform well and has an AA- bond rating. The growth of the County will follow its progress. As part of this growth, the EPD increased the Little River Operating Permit from 3 to 6 MGD. The Water Division is constructing a new campus on Chamblin Road for all water employees and equipment. Wise strategic planning and conservation has ensured that an ample water supply is available at all times - which is even more remarkable in this time of drought.

1% Special Purpose Local Option Sales Tax (SPLOST) – 2006-2010. The 2006-2010 SPLOST is in its third year. Several projects for new fire stations and equipment, an emergency operations center, improvements to three recreational parks, and renovations and improvements to several County buildings have been completed. Quarterly, citizens are informed by an insert in their water bills on the progress of these projects. It is anticipated that all Tier 1 funding will have been collected in 2009, and Tier 2 level projects will begin.

1% Special Purpose Local Option Sales Tax (SPLOST) – 2011-2016. In these times of great financial upheaval, it is most remarkable that Columbia County citizens passed a future SPLOST. As part of this renewal, a \$38 million general obligation bond was also passed to begin funding and construction of urgently needed projects. One of the objectives of passing the future SPLOST two years early was to ensure sufficient time and planning was given to each project, so they would be ready when funding became available.

Transportation. The Georgia DOT has been cooperative in recognizing our rapid growth and its impact on the County's major transportation corridors. Unfortunately, GA DOT funding is non-existent for this budget year, and it probably will be very limited for the next few years.

Therefore, the County must fund much needed projects. It is hoped that in future years, the GA DOT could provide funding to be combined with SPLOST funds to accomplish needed improvements.

Communication. Communications with the public continue to be a priority as recorded BOC meetings are now available on the County's website, and monthly water bill inserts inform citizens of topics of interest and community events.

MAJOR FUTURE INITIATIVES

Economic Incentives. The County plans to utilize new "Economic Incentive Guidelines" to enhance the economy. One of the first projects to receive funding will be road improvements in the new Gateway area. The County will create a "revolving" funding account, so that funds can be recouped and reinvested.

Development Standards. Development standards will be reassessed and updated to reflect the technology, building materials, and desires of the community concerning how growth will expand. The nodal concept for major intersections provides for upgrades that are most appealing to residents. The development community works well with County staff in trying to bring the highest quality and efficiency into the County.

Future park land. Some of the major quality-of-life attributes residents frequently mention are the beautiful park system and recreation programs. In order to keep up with future demand, more park land needs to be acquired now for development in future SPLOSTs.

Capital Improvements. The County is being diligent in accomplishing promised projects on time and under budget. We are ending the second of three years on a GO bond for infrastructure improvements and the third of five years for the 2006-2010 SPLOST. Our SPLOST was renewed on the November 2008 ballot, and projects are now being readied for funding.

Public Safety. To complete the goal of 14 fully-staffed 24/7 permanent fire stations, the County needs to build two new permanent facilities to replace the trailers the current staff is operating from. Bonds will fund these projects which should be completed in 2010.

Water Complex on Chamblin Road. This large facility will consolidate all the water functions in the geographic center of the County and has been under construction for several years. The office space should be open in 2009.

INTERNAL CONTROLS

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control process is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As part of the County's annual single audit, required in conformity with provisions of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, tests are made to determine the adequacy of the internal control structure including that portion relating to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The single audit for the year ended June 30, 20087, disclosed no material internal control weaknesses or material violations of laws and regulations.

BUDGETARY CONTROLS

The County is required to adopt a balanced budget each year and maintain budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Commissioners. Activities of the General Fund, Special Revenue Funds, and Debt Service Fund are included in the annual appropriated budget. Project-length plans are adopted for the Capital Projects Funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed appropriations) is the departmental level within each fund. The Finance Director may authorize transfers of appropriations within departments (except salary line items) that are < \$5,000. The County Administrator may authorize transfers of appropriations within departments (except salary line items) that are \$5,000 or more. Transfers of appropriations from one department to another or from one fund to another require approval of the Board of Commissioners.

The County maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget. A detailed explanation of the County's budget procedures can be found in the notes to the financial statements.

DEBT ADMINISTRATION

Columbia County continues to maintain strong bond ratings with the major credit rating services. In December 2006, the County prepared comprehensive presentations for Fitch IBCA, Standard & Poor's, and Moody's Investors Service rating agencies in an effort to upgrade the current uninsured ratings applied to the County's general obligation bonds and water and sewerage revenue bonds. The Government maintains bond ratings of AA from both Fitch and Standard and Poor's and received an upgrade from Moody's Investor Services to Aa2 from Aa3 for the general obligation debt. Fitch and Moody's Investor Services maintain ratings of AA- and Aa3, respectively, for the water and sewerage debt. In February 2008, Standard and Poor's raised its rating for the water and sewerage debt from AA- to AA. These bond ratings are clear indications of the sound financial condition of the Government. The County will continue to follow prudent fiscal policies and practices in order to maintain its strong credit rating.

CASH MANAGEMENT

While any investment instrument or decision carries certain elements of risk, numerous safeguards are available to minimize the risk while generating a market rate of return. Columbia County seeks to obtain market rates of return on its investments consistent with constraints imposed by its safety objectives, cash flow considerations, and Georgia state laws. Safety of principal is the foremost objective. Each investment transaction shall first seek to ensure that capital losses are avoided, whether they are from defaults or erosion of market value.

Idle funds are invested primarily in obligations of the State of Georgia and other states; obligations issued, fully insured, or guaranteed by the United States; collateralized certificates of deposit; and repurchase agreements. The County strives to maximize investment income while minimizing risk and maintaining liquidity sufficient to cover cash operating requirements. The County utilizes various forms of investment instruments to avoid incurring unreasonable risks inherent in the lack of diversification in specific instruments, individual financial institutions, or maturities. Investment maturities are scheduled to coincide with projected cash flow needs, taking into account large routine scheduled expenditures, as well as considering unanticipated revenues and expenditures.

Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

RISK MANAGEMENT

The purpose of the Columbia County risk management program is to minimize the financial burden incurred by the County as a result of work-related injuries, loss of County property, and damages which may be incurred by third parties. The County has elected to utilize coverages provided by the Association County Commissioners of Georgia Interlocal Risk Management Agency (ACCG-IRMA) and the Association County Commissioners of Georgia Group Self-Insured Workers' Compensation Fund (ACCG-GSIWCF). The County continues to maintain self-insured retention levels of \$50,000 per occurrence and \$200,000 per occurrence in the ACCG-IRMA and ACCG-GSIWCF programs, respectively. An Internal Service Fund is used to account for costs associated with risk management, with the exception of workers' compensation, which continues to be accounted for within the General Fund. Reserves are being accumulated in both funds to meet potential losses. As reserves increase, retention levels may be increased, reducing the annual cost of coverage.

Management remains committed to a safe working environment. Employee education and training enhance and supplement ongoing efforts to maintain a safe and healthy environment for all County employees. Training classes, such as CPR and first aid, defensive driving, self defense, workplace violence, and office ergonomics, are made available for all County employees.

INDEPENDENT AUDIT

The Code of Ordinances of Columbia County and the Official Code of Georgia require an annual independent audit of the County's financial records by a certified public accounting firm. The accounting firm of Baird & Company CPAs, LLC, was selected by the Management and Financial Services Committee and approved by the Board of Commissioners in April 2004 as independent auditor for fiscal year ended June 30, 2004, with an option to renew the contract for four additional one year periods. This option was exercised for fiscal year ended June 30, 2008. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations are included in the single audit section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Columbia County, Georgia, for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the tenth consecutive year that the County achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Columbia County
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director