

MONTGOMERY COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Montgomery County Commissioners
Mount Vernon, Georgia 30445

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Montgomery County, Georgia, as of December 31, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents.

We did not audit the financial statements of the Montgomery County Board of Health (Discretely Presented Component Unit) as of June 30, 2012, and for the year then ended which statements reflect total assets of \$243,015 and total revenues of \$274,377. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Montgomery County Board of Health, is based on the report of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this included the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Governmental 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, Georgia, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 32 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has elected to omit the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County, Georgia's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013 on our consideration of Montgomery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* in considering Montgomery County, Georgia's internal control over financial reporting and compliance.

June 21, 2013

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, GEORGIA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
DECEMBER 31, 2012

	Primary <u>Government</u>	<u>Component Unit</u>
	Governmental Activities	Montgomery County Board of Health
<u>Assets</u>		
Cash and cash equivalents	\$ 2,970,763	\$ 128,979
Certificates of deposit	-	112,923
Accounts receivable	19,181	-
Taxes receivable	669,577	-
Interfund receivables	-	-
Other receivables	26,115	-
Due from other governments	208,582	-
Prepaid expenditures	26,132	-
Capital Assets:		
Equipment	2,797,108	71,537
Buildings	5,404,190	-
Office furniture and fixtures	255,037	-
Land	533,768	-
Infrastructure	2,739,373	-
Accumulated depreciation	(5,145,679)	(70,424)
Capital assets, net of depreciation	6,583,797	1,113
Total Assets	10,504,147	243,015
<u>Liabilities</u>		
Accounts payable	78,545	-
Accrued expenditures	29,664	-
Due to others	99,313	-
Compensated absences		
Current	-	3,714
Long-term	-	14,855
Capital leases payable		
Current	196,168	-
Long-term	285,311	-
Total Liabilities	689,001	18,569
<u>Net Assets</u>		
Invested in capital assets, net of related debt	6,102,318	1,113
Restricted for:		
Health Department	-	63,241
Special Drug Education	22,037	-
Special Drug Forfeiture	2,172	-
Senior Nutrition	18,399	-
Montgomery Development Authority	45,695	-
E-911	58	-
Court (Jail) Fee	15,212	-
Law Library	5,634	-
Projects Fund	202,589	-
Splost	513,109	-
General	4,682	-
Unrestricted	2,883,241	160,092
Total Net Assets	\$ 9,815,146	\$ 224,446

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

MONTGOMERY COUNTY, GEORGIA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
DECEMBER 31, 2012

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities	Component Unit
Governmental Activities						
General Government	\$	\$	\$	\$		
Legislative and Executive	827,437	110,637	-	-	(716,800)	-
Judicial	332,785	196,918	-	-	(135,867)	-
Public Safety	1,125,690	116,952	15,422	-	(993,316)	-
Roads and Bridges	1,276,307	-	-	-	(1,276,307)	-
Solid Waste	224,907	-	-	-	(224,907)	-
Health and Welfare	211,839	-	81,364	-	(130,475)	-
Recreation & Culture	49,941	-	-	-	(49,941)	-
Community Development	166,387	-	-	-	(166,387)	-
Interest on Long-term Debt	25,071	-	-	-	(25,071)	-
Total Primary Government	4,240,364	424,507	96,786	-	(3,719,071)	-
Component Unit						
Montgomery County Board of Health	242,057	85,952	154,737	-	-	(1,368)
Total Component Units	\$ 242,057	\$ 85,952	\$ 154,737	\$ -	\$ -	\$ (1,368)
General Revenues						
Property Taxes					\$ 2,312,980	\$ -
Mobile Home Tax					18,697	-
Motor Vehicle Taxes					283,712	-
Sales Tax					363,536	-
Insurance Premium Taxes					220,605	-
Alcoholic Beverage Taxes					27,824	-
Real Estate Transfer Taxes					23,483	-
Timber Tax					52,702	-
Franchise Taxes					162	-
Interest					11,086	-
Splost					659,570	-
Other Revenues					73,331	33,688
Total General Revenues					4,047,688	33,688
Change in Net Assets					328,617	32,320
Net Assets, Beginning of Year					9,486,529	192,126
Net Assets End of Year					\$ 9,815,146	\$ 224,446

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

MONTGOMERY COUNTY, GEORGIA
FUND FINANCIAL STATEMENTS
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Splost Fund	Other Governmental Funds	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 2,153,500	\$ 493,300	\$ 319,281	\$ 2,966,081
Accounts receivable	2,227	-	16,954	19,181
Receivables:				
Taxes	669,577	-	-	669,577
Interfund receivable	12,500	-	-	12,500
Other receivable	26,115	-	-	26,115
Due from other governments	99,518	105,538	3,526	208,582
Prepaid expenditures	26,132	-	-	26,132
Reserved Assets:				
Cash and cash equivalents	4,682	-	-	4,682
Total assets	\$ 2,994,251	\$ 598,838	\$ 339,761	\$ 3,932,850
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 78,545	\$ -	\$ -	\$ 78,545
Accrued expenditures	27,783	-	1,881	29,664
Deferred taxes	442,028	-	-	442,028
Interfund payable	-	12,500	-	12,500
Due to others	-	73,229	26,084	99,313
Total liabilities	548,356	85,729	27,965	662,050
<u>Fund Balances</u>				
Restricted:				
Splost	-	513,109	-	513,109
Projects fund	-	-	202,589	202,589
Special drug education	-	-	22,037	22,037
Special drug forfeiture	-	-	2,172	2,172
Senior nutrition	-	-	18,399	18,399
E-911	-	-	58	58
Court (jail) fee	-	-	15,212	15,212
Law library	-	-	5,634	5,634
Development authority	-	-	45,695	45,695
General	4,682	-	-	4,682
Unassigned	2,441,213	-	-	2,441,213
Total fund balances	2,445,895	513,109	311,796	3,270,800
Total Liabilities and Fund Balances	\$ 2,994,251	\$ 598,838	\$ 339,761	\$ 3,932,850

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

MONTGOMERY COUNTY, GEORGIA
FUND FINANCIAL STATEMENTS
RECONCILIATION OF NET ASSETS – GOVERNMENTAL FUNDS IN THE STATEMENT OF NET
ASSETS TO TOTAL FUND BALANCE – GOVERNMENTAL FUNDS ON THE BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2012

Total Governmental Fund Balances	\$	3,270,800
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Amounts reported for governmental activities on the statement
of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		6,583,797
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Other long-term assets are not available to pay for current
period expenditures and, therefore, are deferred in the funds:

Property tax revenue		442,028
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Some liabilities are not due and payable in the current period
and, therefore, are not reported in the funds:

Capital leases		<u>(481,479)</u>
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Net Assets of Governmental Activities	\$	<u>9,815,146</u>
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The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Splost Fund	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 3,213,519	\$ 659,570	\$ -	\$ 3,873,089
Grants	40,919	-	55,867	96,786
Licenses and permits	30,820	-	-	30,820
Other services	-	-	-	-
Charges for services	66,554	-	116,952	183,506
Fines and court costs	145,970	-	50,948	196,918
Donations	-	-	-	-
Rent	13,263	-	-	13,263
Miscellaneous	37,987	1,102	28,248	67,337
Interest	7,612	-	3,474	11,086
Total revenues	3,556,644	660,672	255,489	4,472,805
Expenditures:				
Current operating:				
General government	654,229	-	23,957	678,186
Judicial	329,307	-	2,757	332,064
Public Safety	1,229,658	195,164	135,056	1,559,878
Roads and bridges	400,889	642,135	293,827	1,336,851
Solid Waste	214,290	3,693	-	217,983
Health and welfare	189,328	-	17,211	206,539
Culture and recreation	44,191	-	-	44,191
Community development	62,573	-	115,489	178,062
Debt service:				
Principal retirement	310,150	68,872	143,235	522,257
Interest	14,904	10,167	-	25,071
Total expenditures	3,449,519	920,031	731,532	5,101,082
Excess revenues(expenditures):	107,125	(259,359)	(476,043)	(628,277)
Other financing sources (uses):				
Proceeds from note payable	291,726	-	143,235	434,961
Proceeds from capital leases	-	237,480	-	237,480
Sale of property	35,830	-	-	35,830
Transfers	(348,465)	-	348,465	-
Total other financing sources(uses)	(20,909)	237,480	491,700	708,271
Net change in fund balances	86,216	(21,879)	15,657	79,994
Fund balance - beginning of year	2,359,679	534,988	296,139	3,190,806
Fund balance - end of year	\$ 2,445,895	\$ 513,109	\$ 311,796	3,270,800

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

MONTGOMERY COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds	\$	79,994
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Amounts reported for governmental activities on the
statement of activities are different because of the following:

Proceeds on sale of assets	(35,830)
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Governmental funds report capital outlay as expenditures.
However, on the statement of activities, the cost of those
assets are allocated over their estimated useful lives as depreciation
expenditures. This is the amount by which capital outlays
exceeded depreciation during the year:

Splost fund	\$	451,423	
Other govt funds		<u>305,502</u>	
Total		756,925	
Gain on Sale		5,994	
Depreciation Expense		<u>(418,464)</u>	
		344,455	344,455

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:	90,182
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Debt proceeds is a revenue in the governmental funds, but the debt
increases the liabilities on the statement of activities:

Debt proceeds	(672,441)	(672,441)
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Repayment of principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities on the statement of
activities:

Principal retirement	522,257	<u>522,257</u>
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Change in Net Assets of Governmental Activities	\$	<u>328,617</u>
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The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
FIDUCIARY FUND FINANCIAL STATEMENTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2012

	Agency Fund
	Total
<u>Assets</u>	
Cash	\$ 126,734
Due from others	21,799
Taxes receivable	<u>1,312,799</u>
Total assets	\$ <u>1,461,332</u>
<u>Liabilities</u>	
Due to others	\$ 148,533
Deferred taxes	<u>1,312,799</u>
Total liabilities	\$ <u>1,461,332</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

Montgomery County, Georgia is a governmental unit governed by an elected five-member board. As required by generally accepted accounting principles, these financial statements present Montgomery County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

The office of the Montgomery County Commissioners is the oversight unit for the purposes of these financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", established criteria for determining which component units should be considered part of Montgomery County, Georgia for financial reporting purposes. The basic criteria are as follows:

1. Financial Accountability
2. Appointment of a Voting Majority
3. Imposition of Will
4. Financial Benefit to or Burden on a Primary Government
5. Financial Accountability as a Result of Fiscal Dependency
6. Potential for Dual Inclusion

Based on the previous criteria, County management has included the following component units in the financial reporting entity:

Agency Funds

The following units are reported as part of the primary government in the Basic Financial Statements of Montgomery County, Georgia:

Tax Commissioner
Sheriff
Clerk of Courts
Probate Judge
Magistrate Court

These units collect and disburse taxes, fees, fines, etc. under their constitutionally assigned responsibility. Financial records separate from the oversight unit are maintained for each related component unit. For the purposes of this report these related component units affect the financial statements in the following way. Each disbursement by the related component unit to the oversight unit is reflected as revenue to the oversight unit's General Fund.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Unit

The following component unit has been discretely presented in the Montgomery County, Georgia General Purpose Financial Statements:

Montgomery County Board of Health

The Montgomery County Board of Health provides public health services to the residents of Montgomery County under a contract with the Georgia Department of Human Resources. Although the department generates revenue from the collection of fees and receives funding from the Georgia Department of Human Resources, the County provides a subsidy to the department for the provision of health services. The Montgomery County Board of Health fiscal year audit ending June 30, 2012, is presented in the Government-Wide Financial Statements.

Complete financial statements of the Montgomery County discrete component unit can be obtained at the Montgomery County Board of Health administrative office:

Montgomery County Board of Health
P.O. Box 212
Mount Vernon, Georgia 30445

Based on the GASB criteria, the following unit is not included in this report:

Montgomery County Board of Education.

Disbursements to the Montgomery County Board of Education are by contractual agreement with the Board of Commissioners.

A. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except the fiduciary funds or component units that are fiduciary in nature.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities. Direct expenses are those that are specifically associated with a service program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most functions of the government are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

The difference between governmental fund assets and liabilities is reported as fund balance. The County's major funds are the General Fund and the Capital Projects Fund – Special Purpose Local Option Sales Tax (SPLOST).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

General Fund - The General Fund accounts for all financial resources except those to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Georgia.

Capital Projects Fund - SPLOST – This fund is used for construction and maintenance of roads and bridges, solid waste management, for the purchase fire equipment and ambulances in Montgomery County.

Non-major Fund Type:

Special Revenue Funds - Special Revenue Funds are generally used to account for certain specific revenue sources, including special services districts, grants, and similar funds that are legally restricted to expenditures for specified purposes.

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and the changes in net assets. The County's agency funds are used to account for assets held by certain officials in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are accounted for using the accrual basis of accounting. County officials with this designation are the Tax Commissioner, the Sheriff, the Clerk of Courts, the Probate Judge, and the Magistrate Court.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance" and fund equity for all other reporting is classified as "net assets."

Fund balance generally represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report classification 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:

Non-spendable – Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitation imposed on their use whether through 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 County Commissioners through the approval of a motion. Only the Board of County Commissioners may modify or rescind the commitment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting – Fund Equity (Continued)

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 or committed.

Unassigned – Fund balances are reported as unassigned when the balanced 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.

Flow assumptions – When both restricted and unrestricted amounts of fund balance are used for expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has not spent) for the acquisition, construction or improvement of those assets. Net assets 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. All other net assets are reported as unrestricted.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement revenues, expenditures and change in fund balance reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental Fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

A. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which the party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty days after year end. Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales tax is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, grants, interest and rent.

Modified Accrual Basis of Accounting

All governmental funds and the discretely presented component unit are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are generally recognized when they become measurable and available as net, current assets. Revenues, which are susceptible to accrual, are property taxes and grants from other governments. Property tax revenues are considered measurable and available to the extent they are collected within the current period or collected within sixty days after the end of the period.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modified Accrual Basis of Accounting (Continued)

Property taxes not collected within sixty days after the end of the period are recorded as deferred revenues and recognized when collected. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) inventory type items, which are, expensed when purchased; (2) principal and interest on general long-term debt which is recognized when due; and (3) prepaid items which are expensed when purchased.

Change in Accounting Principles

For the fiscal year ended 2003, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions"; GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis- for State and local Governments"; GASB Statement No. 36, "Recipient Reporting for Certain Shared Non-exchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No.38," Certain Financial Statement Note Disclosures"; and GASB Interpretation No.6, " Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." The County has elected to omit the Management's Discussion and Analysis.

As of January 1, 2011, the County implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This pronouncement by GASB establishes criteria for classifying fund balances into specifically defined classifications. These classifications change the presentation of Fund Balances in the Governmental Funds' Balance Sheets. Please see pages 15 and 16 of the Notes for the definitions of the classifications of Fund Balance.

Budgetary Process – Primary Government

1. Prior to December 1, the Chairman submits to the Commission a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Commission holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ.
3. The budget is then revised and adopted or amended by the Commission at the first regular meeting in January of the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the Commission in a regular meeting, and no increase shall be made therein without provision also being made for financing it.
5. The Budget for the General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted, or as amended by the Commission, if such amendments are considered material to the budget as a whole.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash includes amounts in both interest-bearing and non-interest bearing demand deposit accounts. State statutes authorize the County to invest in obligations of the U.S. Treasury, obligations of the State of Georgia or any other states, obligations fully insured or guaranteed by the United States government or governmental agency, Local government Investment Pool, Commercial paper, corporate bonds, obligations of other political subdivisions of the State of Georgia, and repurchase agreements. Any bank deposit in excess of the total FDIC insured amount must be secured by an equivalent amount of State and U.S. obligations.

Investments are recorded at cost or amortized cost plus accrued interest, which approximates market value.

For the purpose of reporting cash flows the County considers certificates of deposit with an initial maturity of three months or less to be cash equivalent.

Assets are reported restricted when limitations on their use change the nature or normal understanding of the availability of the asset.

Eliminations

GASB 34 eliminated the presentation of Account Groups, but provides for these records to be maintained and used to account for capital assets and long-term liabilities that are not reflected on the balance sheet of Governmental-type funds due to the current financial resources measurement focus that they use.

The effect of inter-fund activity has been removed from the government-wide financial statements. Due to/from other funds have been eliminated as well as transfers between funds.

Inter-fund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term inter-fund loans or inter-fund services provided and used are classified as "Inter-fund Receivables and Payables." Inter-fund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets.

The only inter-fund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances." The monies due the primary government from the fiduciary funds are reflected in the statement of net assets as "External Balances."

Inventories

Inventory consists of expendable supplies held for consumption. The costs of these supplies on hand are considered immaterial to the balance sheets of the various funds and are not shown as assets of the funds nor is any portion of the fund balance reported as reserved for inventories. Inventory type items are recorded as an expenditure when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are reported as prepaid expenses using the consumption method by recording a current asset for the

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items (Continued)

prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

Capital assets, which include property, plant, office furniture, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the governmental-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000. All purchased capital assets are valued at historical cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. GASB Statement 34 prohibits the capitalization of interest for assets constructed for use in governmental activities. In 2012, there was no interest expense incurred by the County included as part of the cost of capital assets under construction in connection with public building construction projects.

Property, plant, equipment and infrastructure of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Vehicles	5 years
Machinery and equipment	5-20 years
Office Furniture	5-10 years
Roads, Bridges, and Sidewalks	50 years

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed. Accordingly, encumbrances outstanding at year-end are not reported as reservations of fund balances, nor do they constitute expenditures or liabilities. Generally accepted accounting principles do not require encumbrance accounting.

Compensated Absences and Other Employee Benefits

Accumulated unpaid vacation, sick pay and other fringe benefits are not accrued since the amounts do not exceed a normal year's accumulation. These expenses are recorded as incurred.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Application of FASB Pronouncements

Proprietary activities apply all FASB statements and interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

Use of Estimates

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

Restricted and Unrestricted Resources

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets unavailable, it is the County's policy to apply those expenses to the restricted net assets to the extent such are available and then to the unrestricted net assets.

NOTE2- CONTINGENCIES

Litigation

Any legal contingencies are not anticipated to be in excess of insurance coverage.

Grants

In the normal course of operations, the County receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 3- PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are generally levied by October 20, and are due by December 20. Property tax revenues are recognized when levied to the extent they result in current receivables. Taxes not collected within sixty days after the year end, are reported as deferred revenues. The deferred revenue is combined with property tax revenue on the statement of activities and the deferred revenue account on the statement of net assets is eliminated.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4- DUE FROM OTHER GOVERNMENTS

Amounts due from other governmental entities at December 31, 2012 are as follows:

		General Fund	SPLOST	Special Revenue	Total
Heart of Georgia	\$	-	-	3,526	3,526
State of Georgia					
GDOT 5311-revenues		16,294	-	-	16,294
Sales Tax		<u>83,224</u>	<u>105,538</u>	<u>-</u>	<u>188,762</u>
Total Due from Other Governments	\$	<u>99,518</u>	<u>105,538</u>	<u>3,526</u>	<u>208,582</u>

NOTE 5- RESTRICTED NET ASSETS

Restricted net assets are used to indicate that a portion of the net assets is not appropriable for expenditure or is legally segregated for a specific future use. The following restricted net assets are used by Montgomery County:

Primary Government:

Special Revenue and Capital Projects Funds:

Restricted by ordinance	\$ 293,397
Restricted for projects financed by grant revenues	18,399
Restricted by probate	4,682
Restricted for projects financed by SPLOST	<u>513,109</u>
Total Restricted Fund Balance	\$ <u>829,587</u>

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 6- CHANGES IN CAPITAL ASSETS

Primary government

Capital asset activity for the year ended December 31, 2012 was as follows:

	Primary Government			
	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 23,200	\$ -	\$ 23,200	\$ -
Land	546,187	7,581	20,000	533,768
Total capital assets not being depreciated	569,387	7,581	43,200	533,768
Other capital assets:				
Buildings	4,970,561	435,942	2,313	5,404,190
Infrastructure	2,739,373	-	-	2,739,373
Office furniture and fixtures	233,877	21,160	-	255,037
Road machinery and equipment	2,611,312	315,442	129,646	2,797,108
Total capital assets	\$ 11,124,510	\$ 780,125	\$ 175,159	\$ 11,729,476
Accumulated depreciation				
Buildings	2,028,545	142,641	2,313	2,168,873
Infrastructure	564,290	105,608	-	669,898
Office furniture and fixtures	213,328	12,594	-	225,922
Road machinery and equipment	2,043,177	157,621	119,812	2,080,986
Less accumulated depreciation	4,849,340	418,464	122,125	5,145,679
Governmental activities capital assets, net	\$ 6,275,170	\$ 361,661	\$ 53,034	\$ 6,583,797

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

Governmental Activities:	
General Government	\$ 149,251
Judicial	721
Public Safety	54,803
Roads & bridges	195,715
Solid waste	6,924
Health & welfare	5,300
Recreation & culture	5,750
Total governmental activities depreciation expense	\$ 418,464

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 6- CHANGES IN CAPITAL ASSETS(CONTINUED)

Discretely Presented Component Unit

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Equipment	\$ 73,014	\$ 623	\$ 2,100.00	\$ 71,537
Less accumulated depreciation	<u>(72,221)</u>	<u>(303)</u>	<u>(2,100.00)</u>	<u>(70,424)</u>
Component unit capital assets, net	\$ <u>793</u>	\$ <u>320</u>	\$ <u>-</u>	\$ <u>1,113</u>

NOTE 7- CHANGES IN LONG-TERM DEBT

Capital Leases

The County has entered into lease agreements to acquire or obtain the use of equipment. Those lease terms are for 3 -7 years. The amount necessary to reduce net minimum lease payments to present value is calculated by using the implicit rates at the inception of the lease. The lease payments are expected to remain the same throughout the term of the lease. In most cases, title transfers to the County at the end of the lease.

Assets

Equipment	\$ 617,528
Additions	237,481
Less: equipment paid off	(91,964)
Less: accumulated depreciation	<u>(41,384)</u>
Total	\$ <u>721,661</u>
Capital leases payable at January 1, 2012	\$ 331,294
Additions	237,481
Payments	<u>(87,296)</u>
Capital leases payable at December 31, 2012	\$ <u>481,479</u>

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7- CHANGES IN LONG-TERM DEBT (CONTINUED)

Capital Leases (continued)

The following is a schedule by year of the future minimum lease payments under capital leases together with the present value of the minimum lease payments as of December 31, 2012:

<u>Years Ending December 31,</u>	<u>Present Value Minimum Lease Payments</u>	<u>Interest</u>	<u>Minimum Lease Payments</u>
2013	\$ 196,168	22,226	\$ 218,394
2014	69,583	9,492	79,075
2015	30,948	6,446	37,394
2016	50,301	4,378	54,679
2017	<u>134,479</u>	<u>3,868</u>	<u>138,347</u>
Total	\$ <u>481,479</u>	<u>46,410</u>	\$ <u>527,889</u>

Notes payable

Primary government

Notes payable January 1, 2012	\$ -
Additions	434,961
Payments	<u>(434,961)</u>
Notes payable December 31, 2012	\$ <u>-</u>

The purpose of this note payable was for replacement of the courthouse roof and construction of a new office for the Sheriff Department. The debt was repaid by operating revenues of the County.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 8-CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk is the risk that in the event of bank failure the County's deposits may not be returned to it. To address custodial risk it is the County's policy for deposits to be 110% secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance. The County's deposits are categorized to give an indication of the level of risk assumed by the County at December 31, 2012. The County was fully collateralized as of December 31, 2012.

The categories are described as follows:

- Category 1- Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2- Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3- Uncollateralized

Primary Government

Description	Bank Balance	Category			Carrying Amount
		1	2	3	
Total Deposits	\$ <u>4,555,040</u>	\$ <u>4,555,040</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,097,497</u>

Discretely Presented Component Unit

Description	Bank Balance	Category			Carrying Amount
		1	2	3	
Montgomery County Board of Health	\$ <u>258,358</u>	\$ <u>258,358</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>241,880</u>

NOTE 9-RELATED PARTY TRANSACTION

Any related party transactions were made with the same terms and conditions as other transactions.

NOTE 10- RISK MANAGEMENT

Type of Risk

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Montgomery County has joined together with other governments to form a public entity risk pool currently operating as a common risk management and insurance program for combined property and liability insurance. The County pays an annual premium to the pool for its insurance coverage. The agreement for formation of ACCG-Inter-local Risk Management Agency provides that the pool will be self sustaining through member premiums. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The pooling agreement requires the pool to be self-sustaining. It is not possible for the County to estimate the range of contingent losses. At December 31, 2012, the County was not aware of any asserted claims that exceed the County's insurance coverage. The County's only risk of loss would occur if the loss exceeded the limit of liability stated in the policy.

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers compensation laws of the state of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the other members, all interest accruing after entry of judgment, and all expenses for investigations, negotiation or defense.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, Montgomery County became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to employees of any employer (Montgomery County) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability. The County pays an annual premium to the pool for it insurance coverage.

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the purview of the Workers' Compensation law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding damages or compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11- INVESTMENT IN JOINT VENTURE

Montgomery County, in conjunction with cities and counties in the Heart of Georgia area are members of the Heart of Georgia Altamaha Regional Commission. Membership in an Regional Commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RC's. Each county and municipality in the state is required by law to pay minimum annual dues to the Regional Commission. The county paid annual dues in the amount of \$5,072 to the Commission for the year ended December 31, 2012. The Regional Commission Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from the County.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines Regional Commissions as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. (O.C.G.A. 50-8-39.1)

Complete financial statements of the Regional Commission are at the administrative office.

Heart of Georgia Altamaha Regional Commission
5405 Oak Street
Eastman, GA 31023

NOTE 12- OPERATING LEASE COMMITMENTS

As of August 20, 2004, Montgomery County entered into a ten-year operating lease with The Refuge Domestic Violence Shelter, Inc allowing the shelter to rent of one of the County's buildings for \$1 per year. The lease grants The Refuge Domestic Violence Shelter the right to renew the lease for three successive terms of ten years each. At any time after the twentieth year of the lease, The Refuge Domestic Violence Shelter has the option to purchase the leased premises for \$1.

NOTE 13- SENIOR CITIZENS NUTRITION FUND

Beginning December, 1992, Montgomery County was awarded funds for the purpose of planning and administering services authorized by the Older Americans Act. The County entered into a management contract with the Heart of Georgia Altamaha Regional Development Council. The same organization administers the program for the fiscal year July 1, 2004 through June 30, 2006. This program receives federal money passed through the Heart of Georgia under the Older Americans Act, Federal Domestic Assistance Number 13-365. The federal percentage of funds passed through is 85%. The state percentage of the funds passed through is 5%. Local funds and in kind costs are 10% and are provided by the County. The United Way also contributed \$18,000 to this program during calendar year 2012. The financial statements for this fund are included in this report under non-major governmental funds section.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 13- SENIOR CITIZENS NUTRITION FUND – (CONTINUED)

The revenues and expenditures by contract are as follows:

		<u>Revenues</u>	<u>Expenditures</u>
Contract HGAAAA-2011-12	\$	11,222	11,222
Contract HGAAAA 2012-13		11,222	11,222
	\$	<u>22,444</u>	<u>22,444</u>

Salaries for this program are presented below as required by the Department of Human Resources:

<u>EMPLOYEE</u>		<u>SALARY</u>
Kathleen D. Fennel	\$	16,688
Sylvia Fowler		14,834
Helen Graham		3,830
Joseph Hood		687
Colin Fountain		2,942
James Selph		278
	\$	<u>39,259</u>

The program operated two vehicles during this period:

<u>Year Model</u>	<u>Make</u>	<u>Model</u>	<u>Body Style</u>	<u>Manufacture's ID #</u>
1989	Pontiac	Celebrity	4 Dr.	1G1AW51R9K6222915
1993	Ford	Taurus GL	Station Wagon	1FACP57U5PA294150

NOTE 14- LANDFILL CLOSURE AND POST-CLOSURE CARE

The Montgomery County landfill ceased operation in June, 1989. All federal, state, and local landfill closure and post-closure requirements have been met. No further action is required.

NOTE 15- OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the Combined Statements, certain information concerning individual funds including:

- A. Summary disclosure of changes in general capital assets by major asset class. This requirement has been met by Note 6.
- B. Summary of disclosure of debt service requirements to maturity for all types of outstanding debt. This requirement has been met by Note 7.
- C. Summary disclosure of changes in general long-term debt. This requirement has been met by Note 7.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 15- OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED)

- D. Excess of expenditures over revenues in the general fund amounted to \$290,274. This excess was funded by donations of fixed assets at their fair market value (FMV) on the date of acquisition, state grant revenues and fund balance. See page 36, Note 2 of the required supplementary information for the details of the excess expenditures over appropriations at the legal level of control.
- E. Deficit fund balances of individual funds. At December 31, 2012 there are no funds with deficit balances.
- E. Inter-fund balances at December 31, 2012 consisted of the receivables, payables, and transfers in the following tables. These balances resulted from the time lag between the dates that inter-fund goods and services were provided, transactions were recorded in the accounting system, and payments between funds were made. Transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations. Please see the following tables for the receivables, payables, and transfers in and out. The County sold equipment and the proceeds of \$12,500 were deposited in the Splost Fund in error and re-classed to the appropriate fund during the audit, the General Fund transferred \$97,448 to the Montgomery County Development Authority for the one mill of tax, the General Fund transferred \$290,276 in fund balance to repay the Projects Fund for repayment of debt, the Nutrition Fund transferred \$39,259 to the General Fund for salary reimbursement.

	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 12,500	\$ -
Splost fund	-	12,500
Total	\$ <u>12,500</u>	\$ <u>12,500</u>

	<u>Transfers in</u>	<u>Transfers out</u>
Primary government		
Major fund - General	\$ 39,259	\$ 387,724
Non-major fund - Projects Fund	290,276	-
Non-major fund - Senior Nutrition Fund	-	39,259
Non-major fund - Development Authority	<u>97,448</u>	<u>-</u>
Total Primary government	\$ <u>426,983</u>	\$ <u>426,983</u>

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget			Variance with final budget
	Original	Final	Actual	Positive(Negative)
Taxes:				
Property taxes (including interest and cost)	\$ 2,155,032	\$ 2,155,032	\$ 2,222,798	\$ 67,766
Timber Tax	35,000	35,000	52,702	17,702
Motor vehicle taxes	225,367	225,367	283,712	58,345
Mobile Home Tax	22,000	22,000	18,697	(3,303)
Real estate transfer tax	25,000	25,000	23,483	(1,517)
Franchise tax	200	200	162	(38)
General sales and use tax	343,000	343,000	363,536	20,536
Alcoholic beverage tax	28,000	28,000	27,824	(176)
Insurance premium tax	207,000	207,000	220,605	13,605
Total	3,040,599	3,040,599	3,213,519	172,920
Licenses and Permits:				
Business Licenses	24,000	24,000	20,607	(3,393)
Other licenses	9,000	9,000	10,213	1,213
Total	33,000	33,000	30,820	(2,180)
Intergovernmental				
State government grants	5,000	5,000	630	(4,370)
Transit DOT Sec. 5311 Revenues	29,500	29,500	32,341	2,841
Transit Revenues - Middle GA. CA	10,000	10,000	7,948	(2,052)
Total	44,500	44,500	40,919	(3,581)
Charges for Services				
Election qualifying fees	5,000	5,000	7,473	2,473
Passenger fares	500	500	-	(500)
Fees for collecting school tax	60,000	60,000	59,081	(919)
Total	65,500	60,500	66,554	1,054
Fines and forfeits:				
Total	172,000	172,000	145,970	(26,030)
Miscellaneous:				
Interest	12,000	12,000	7,612	(4,388)
Building rent	12,000	12,000	13,263	1,263
Pipe sales	2,500	2,500	3,700	1,200
Other	34,799	34,799	34,287	(512)
Total	61,299	61,299	58,862	(2,437)
Other financing sources				
Sale of capital assets	-	-	35,830	35,830
Proceeds from debt	-	-	291,726	291,726
Operating Transfer in	35,000	35,000	39,259	4,259
Total General Fund Revenues	\$ 3,451,898	\$ 3,446,898	\$ 3,923,459	\$ 471,561

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

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget		Actual	Variance with final budget
	Original	Final		Positive(Negative)
General Government:				
Board of Commissioners:				
Operating expenditures	34,886	39,262	39,262	-
Total	34,886	39,262	39,262	-
Board of Elections:				
Personal services	28,646	30,376	30,376	-
Operating expenditures	18,430	64,127	64,127	-
Total	47,076	94,503	94,503	-
Financial Administration:				
Personal services	68,942	71,614	71,614	-
Operating expenditures	103,929	106,988	106,988	-
Total	172,871	178,602	178,602	-
Legal:				
Operating expenditures	8,000	12,654	12,654	-
Total	8,000	12,654	12,654	-
Office of Tax Commissioner:				
Personal services	84,115	87,084	87,084	-
Operating expenditures	26,118	24,983	24,983	-
Total	110,233	112,067	112,067	-
Office of Tax Assessor:				
Personal services	79,941	83,478	83,478	-
Operating expenditures	50,095	41,618	41,618	-
Total	130,036	125,096	125,096	-
Coroner:				
Operating Expenditures	10,119	8,193	8,193	-
Total Coroner	10,119	8,193	8,193	-
General Gov't Buildings and PLT:				
Operating Expenditures	81,386	83,852	83,852	-
Total	81,386	83,852	83,852	-
Total General Government Expenditures	\$ 594,607	\$ 654,229	\$ 654,229	\$ -

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

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget		Actual	Variance with final budget
	Original	Final		Positive(Negative)
Judicial:				
Superior Court:	\$	\$	\$	\$
Personal services	2,153	-	-	-
Operating expenditures	55,000	42,462	42,462	-
Total	57,153	42,462	42,462	-
Office of the Clerk of Courts:				
Personal services	93,382	95,569	95,569	-
Operating expenditures	18,635	17,359	17,359	-
Total	112,017	112,928	112,928	-
Magistrate Court:				
Personal services	68,122	68,883	68,883	-
Operating expenditures	7,000	4,916	4,916	-
Total	75,122	73,799	73,799	-
Probate Court:				
Personal services	90,091	92,143	92,143	-
Operating expenditures	32,594	7,975	7,975	-
Total	122,685	100,118	100,118	-
Total Judicial Expenditures	366,977	329,307	329,307	-
Public Safety:				
Office of Sheriff:				
Personal services	414,451	435,775	435,775	-
Operating expenditures	183,926	141,732	141,732	-
Total	598,377	577,507	577,507	-
Other Public Safety Programs:				
Jail operating expenditures	397,040	290,097	290,097	-
Rural fire protection	80,000	68,079	68,079	-
EMS	224,800	220,455	220,455	-
E-911	18,000	22,800	22,800	-
Emergency management	47,975	50,720	50,720	-
Total	767,815	652,151	652,151	-
Total Public Safety Expenditures	\$ 1,366,192	\$ 1,229,658	\$ 1,229,658	\$ -

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

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget			Variance with final budget
	Original	Final	Actual	Positive(Negative)
Roads and Bridges:				
Personal services	\$ 249,154	\$ 219,866	\$ 219,866	\$ -
Operating expenditures	186,380	181,023	181,023	-
Total Roads and Bridges	<u>435,534</u>	<u>400,889</u>	<u>400,889</u>	<u>-</u>
Solid Waste				
Personal Services	145,385	149,850	149,850	-
Operating Expenditures	48,900	64,440	64,440	-
Total Solid Waste	<u>194,285</u>	<u>214,290</u>	<u>214,290</u>	<u>-</u>
Health and Welfare:				
Public health	70,231	66,101	66,101	-
Aid to Dependent Children	5,520	5,520	5,520	-
Senior Citizen's Center	56,867	57,436	57,436	-
Transit	62,405	60,271	60,271	-
Total Health and Welfare	<u>195,023</u>	<u>189,328</u>	<u>189,328</u>	<u>-</u>
Recreation and Culture:				
Recreation	-	6,000	6,000	-
Library	19,000	18,714	18,714	-
Adult Basic Education	8,700	5,869	5,869	-
Forest Resources	21,773	13,608	13,608	-
Total Recreation and Culture	<u>49,473</u>	<u>44,191</u>	<u>44,191</u>	<u>-</u>
Community Development				
County Extension	60,043	59,232	59,232	-
Economic Development	44,623	3,341	3,341	-
Total Community Development	<u>104,666</u>	<u>62,573</u>	<u>62,573</u>	<u>-</u>
Other financing sources (uses):				
Transfers out	56,141	97,450	387,724	(290,274)
Debt service	80,000	310,150	310,150	-
Interest on debt	9,000	14,904	14,904	-
Total other financing sources (uses)	<u>145,141</u>	<u>422,504</u>	<u>712,778</u>	<u>(290,274)</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund Expenditures	\$ <u>3,451,898</u>	\$ <u>3,546,969</u>	\$ <u>3,837,243</u>	\$ <u>(290,274)</u>

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

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 – BUDGET POLICY

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. The budget was amended to reflect excess expenditures over appropriations at December 31, 2012.

NOTE 2 – EXCESS EXPENDITURES OVER APPROPRIATIONS

General Fund

The general fund had excess expenditures over appropriations in the amount of \$290,274. This excess was funded by donations of capital assets at their fair market value (FMV) on date of acquisition, state grant revenues, and fund balance. Details of the excess expenditures over appropriations at the legal level of control, the departmental level, for the general fund are described below:

- Other financing sources exceeded appropriations by \$290,274.

SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, GEORGIA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Drug Education	Special Drug Forfeiture	Senior Nutrition Fund	E - 911	Court (Jail) Fee Fund	Law Library	Development Authority	Projects Fund	Nonmajor Governmental Funds	Total
Assets										
Cash and cash equivalents	\$ 22,037	\$ 2,172	\$ 15,137	\$ 9,188	\$ 14,948	\$ 5,634	\$ 47,576	\$ 202,589	\$ 319,281	
Other receivable	-	-	-	-	-	-	-	-	-	
Due from other governments	-	-	3,262	-	264	-	-	-	3,526	
Accounts Receivable	-	-	-	16,954	-	-	-	-	16,954	
Total assets	22,037	2,172	18,399	26,142	15,212	5,634	47,576	202,589	339,761	
Liabilities and Fund Balances										
Liabilities										
Accounts payable	-	-	-	-	-	-	-	-	-	
Accrued expenses	-	-	-	-	-	-	1,881	-	1,881	
Interfund Payable	-	-	-	-	-	-	-	-	-	
Due to others	-	-	-	26,084	-	-	-	-	26,084	
Total liabilities	-	-	-	26,084	-	-	1,881	-	27,965	
Fund Balances										
Fund balance:										
Restricted	22,037	2,172	18,399	58	15,212	5,634	45,695	202,589	311,796	
Unassigned	-	-	-	-	-	-	-	-	-	
Total fund balances	22,037	2,172	18,399	58	15,212	5,634	45,695	202,589	311,796	
Total Liabilities and Fund Balances	22,037	2,172	18,399	26,142	15,212	5,634	47,576	202,589	339,761	

MONTGOMERY COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Drug Education	Special Drug Forfeiture	Senior Nutrition Fund	E-911	Court (Jail) Fee Fund	Law Library	Development Authority	Projects Fund	Total Nonmajor Governmental Funds
Revenues:									
Grants	\$ -	\$ -	\$ 40,445	\$ -	\$ -	\$ -	\$ -	\$ 15,422	\$ 55,867
Charges for services	-	-	-	116,952	-	-	-	-	116,952
Fines, Forfeitures, & Court Fees	9,252	33,686	-	-	5,472	2,538	-	-	50,948
Donations	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	5,254	-	-	-	20,000	2,994	28,248
Interest	89	20	-	33	75	-	323	2,934	3,474
Total revenues	9,341	33,706	45,699	116,985	5,547	2,538	20,323	21,350	255,489
Expenditures:									
Current operating:									
General government	-	-	-	-	-	-	-	23,957	23,957
Judicial	-	-	-	-	-	2,757	-	-	2,757
Public safety	45	18,060	-	116,951	-	-	-	-	135,056
Health & Welfare	-	-	17,211	-	-	-	-	-	17,211
Community Development	-	-	-	-	-	-	103,813	-	103,813
Capital outlay	-	14,607	-	-	-	-	11,675	279,221	305,503
Debt service	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	143,235	143,235
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	45	32,667	17,211	116,951	-	2,757	115,488	446,413	731,532
Excess revenues(expenditures):	9,296	1,039	28,488	34	5,547	(219)	(95,165)	(425,063)	(476,043)
Other financing sources(uses):									
Sale of property	-	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	143,235	143,235
Operating transfers in/(out)	-	-	(39,259)	-	-	-	97,448	290,276	348,465
Total other financing sources(uses)	-	-	(39,259)	-	-	-	97,448	433,511	491,700
Net change in fund balances	9,296	1,039	(10,771)	34	5,547	(219)	2,283	8,448	15,657
Fund balance - beginning of year	12,741	\$ 1,133	\$ 29,170	\$ 24	\$ 9,665	\$ 5,853	\$ 43,412	\$ 194,141	\$ 296,139
Fund balance - end of year	\$ 22,037	\$ 2,172	\$ 18,399	\$ 58	\$ 15,212	\$ 5,634	\$ 45,695	\$ 202,589	\$ 311,796

MONTGOMERY COUNTY, GEORGIA
FIDUCIARY FUND FINANCIAL STATEMENTS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2012

	Tax Commissioner	Clerk of Courts	Probate Court	Office of Sheriff	Magistrate Court	Agency Fund Total
<u>Assets</u>						
Cash	\$ 28,175	\$ 37,271	\$ 54,195	\$ 6,745	\$ 6,953	\$ 133,339
Due from Others (Current)	-	-	995	-	-	995
Taxes receivable	1,297,845	-	-	-	-	1,297,845
Total assets	1,326,020	37,271	55,190	6,745	6,953	1,432,179
<u>Liabilities</u>						
Liabilities:						
Due to others (current)	28,175	37,271	55,190	6,745	6,953	134,334
Deferred taxes	1,297,845	-	-	-	-	1,297,845
Total liabilities	\$ 1,326,020	\$ 37,271	\$ 55,190	\$ 6,745	\$ 6,953	\$ 1,432,179

INDEPENDENT AUDITORS' REPORT ON SCHEDULE
OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

To the Montgomery County Commissioners
Montgomery County, Georgia

We have audited the accompanying Schedule of Special Local Option Sales Tax for Montgomery County, Georgia, for the year ended December 31, 2012. This schedule is the responsibility of Montgomery County's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Local Option Sales Tax is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the accrual basis of accounting, and is not intended to be a complete presentation of Montgomery County's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in Montgomery County's resolution or ordinance calling for the tax for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

June 21, 2013

MONTGOMERY COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Project	Original Estimated Cost	Current Estimated Cost	Expenditures		Total
			Prior Years	Current Year	
SPLOST - 2009					
Roads and Bridges	\$ 1,800,000	1,800,000	444,977	414,474	859,451
Solid Waste	150,000	150,000	-	3,693	3,693
Ambulances	180,000	180,000	22,157	-	22,157
Fire Equipment	535,000	535,000	32,164	195,164	227,328
Municipalities:					
City of Ailey	326,900	326,900	115,095	42,938	158,033
City of Alston	100,405	100,405	35,351	13,188	48,539
City of Higgston	200,810	200,810	72,583	26,376	98,959
City of Mount Vernon	1,309,935	1,309,935	461,201	172,059	633,260
City of Tarrytown	63,045	63,045	23,321	8,281	31,602
City of Uvalda	333,905	333,905	117,560	43,858	161,418
Subtotal - Municipalities	2,335,000	2,335,000	825,111	306,700	1,131,811
Total 2009 SPLOST	\$ 5,000,000	\$ 5,000,000	\$ 1,324,409	\$ 920,031	\$ 2,244,440

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

To the Montgomery County Commissioners
Mount Vernon, Georgia 30445

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, Georgia, as of and for the year then ended December 31, 2012 and the related notes to the financial statements which collectively comprise Montgomery County, Georgia's basic financial statements and have issued our report thereon dated June 21, 2013.

We did not audit the financial statements of the Montgomery County Board of Health (discretely presented component unit) as of June 30, 2012, and for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Montgomery County, Georgia, was based solely on the report of the other auditor.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of Montgomery County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. The reference numbers are 09-01 through 09-3 on pages 45 and 46.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not note any significant deficiencies noted in the following schedules.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 09-04 on page 46.

We noted certain other matters that we reported to the management of Montgomery County, Georgia in a separate letter dated June 21, 2013.

Montgomery County, Georgia's Response to Findings

Montgomery County, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings on pages. Montgomery County, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to described the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 21, 2013

MONTGOMERY COUNTY, GEORGIA
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

FINANCIAL STATEMENT FINDINGS

09-01 Lack of Segregation of Duties:

Condition: The County's clerical staff consists of two people, the County Clerk and the County Manager. The County Clerk performs all non-cash receipts and cash disbursement functions for the County with little or no supervisor or review. There is no separation of duties in the performance of accounting functions. Also, there is a lack of segregation of duties in the offices of the Probate Court, Clerk of Court, Magistrate Court, Sheriff's Office, Tax Commissioner's Office, and the Board of Commissioner's Office. These situations pose dangers in that intentional or unintentional errors could occur and not be detected in a timely manner.

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

Effect: Failure to properly segregate duties between recording, processing, and reconciliation of cash and bank accounts can lead to misappropriation of funds the act of which might not be detected in the normal course of business.

Recommendation: The duties of recording, processing, and reconciliation of cash and bank accounts should be segregated between employees.

Response: We agree with the recommendation concerning a lack of segregation of duties. Each elected official is reviewing this condition in his or her office to determine the most efficient and effective solution to segregating the duties between recording, processing and reconciliation of cash and bank accounts to provide reasonable assurance that an individual cannot misappropriate funds without such an act being detected during the normal course of business.

Current Status: This condition remains unchanged at December 31, 2012.

09-02 Lack of General Ledger and Financial Statement Review

Condition: There were instances of expenditures being posted to the wrong accounts. There were debit balances in the liability accounts.

Criteria: Internal controls should be in place that provides reasonable assurance that all entries in the general ledger and financial statements are properly classified and that all entries get recorded.

Effect: Failure to properly classify entries, failure to record necessary entries will cause the financial statements to be misleading and not match the related budgeted items.

Recommendation: Once the final postings are made to the general ledger each month, a thorough review of each account in the general ledger should be made to identify and correct any misclassifications or allocations.

Response: We agree with this recommendation. Once the accounting clerk has entered the information into the general ledger each month, a thorough review of each account will be made by the clerk as well as the chief financial officer.

Current Status: This condition remains unchanged at December 31, 2012.

MONTGOMERY COUNTY, GEORGIA
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

FINANCIAL STATEMENT FINDINGS (CONTINUED)

09-03 Reconciliation of Balance Sheet Accounts – Material Weakness

Condition: Payroll liability accounts, cash accounts, and receivable accounts are not being reconciled on a regular basis.

Criteria: Policies and procedures should be in place to ensure that all asset and liability general ledger accounts are reconciled in a timely manner.

Effect: The financial statements are sensitive to material misstatements and the ability to detect material misstatements is significantly decreased.

Recommendation: Policies and procedures should be implemented to ensure that appropriate accounts are reconciled in a timely manner and that the internal control procedure is constantly monitored by management personnel.

Response: We agree with this recommendation. An outside internal control specialist will aid in instituting proper procedures to ensure all accounts are reconciled in a timely manner.

Current Status: This condition remains unchanged at December 31, 2012.

09-04 Expenditures Over Appropriations:

Condition: The County did not make amendments to its budget when expenditures exceeded budgeted amounts. The following fund exceeded budgeted amounts - General Fund - \$290,274.

Criteria: The actual expenditures should be compared to the budgeted figures periodically and if they exceed the budgeted amounts, the budget should be amended so that the expenditures do not exceed the budget and funding for the excess expenditures should be addressed.

Effect: The County is in violation of O.C.G.A 36-81-1.

Recommendation: Review the actual expenditures compared to the budgeted amounts and if the expenditures exceed the budgeted amounts, the budget needs to be amended to allow for the excess expenditures, and how the excess expenditures will be funded should be addressed in the budget at that time.

Response: We agree with this recommendation. We will review the actual expenditures to the budgeted amounts and amend the budget or budgets when necessary.

Current Status: This condition remains unchanged at December 31, 2012.