

STEPHENS COUNTY, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2012**

STEPHENS COUNTY, GEORGIA

FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Stephens County, Georgia**, as of and for the year ended June 30, 2012, which collectively comprise Stephens County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stephens County Department of Public Health, which statements reflect total assets of \$460,732 as of June 30, 2012, and total revenues of \$613,679 for the year ended June 30, 2012. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Stephens County Department of Public Health in the component unit column is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stephens County, Georgia as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and E911 Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of Stephens County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 10) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stephens County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 and are also not a required part of the basic financial statements of Stephens County, Georgia. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
December 10, 2012

STEPHENS COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

This section of Stephens County, Georgia's ("the County") annual financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of Stephens County exceeded its liabilities at June 30, 2012, by approximately \$66.58 million (net assets). Of this amount, \$6.97 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At fiscal year-end June 30, 2012, the County's General Fund reported a total fund balance of \$8,335,197.

Overview of the Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements include not only Stephens County itself (known as the primary government), but also the Stephens County Health Department. These are legally separate entities that are component units of the County due to the significance of their operational or financial relationships with the County. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Stephens County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceed liabilities by \$66,575,602 at the close of the most recent fiscal year.

A large portion of the County's net assets, 84.79%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Stephens County's Net Assets (in millions of dollars)							
	Governmental Activities		Business-type Activities		Total		Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
Current and other assets	\$ 12.60	\$ 12.83	\$ 0.00	\$ 0.00	\$ 12.60	\$ 12.83	1.78 %
Capital assets	62.84	60.73	0.54	0.54	63.38	61.27	(3.33)
Total assets	<u>75.44</u>	<u>73.56</u>	<u>0.54</u>	<u>0.54</u>	<u>75.98</u>	<u>74.10</u>	(2.48)
Long-term liabilities outstanding	4.95	4.11	1.65	1.58	6.59	5.69	(13.74)
Other liabilities	1.89	1.81	0.01	0.02	1.90	1.83	(3.87)
Total liabilities	<u>6.84</u>	<u>5.92</u>	<u>1.66</u>	<u>1.60</u>	<u>8.50</u>	<u>7.52</u>	(11.52)
Net assets:							
Invested in capital assets, net of related debt	57.17	55.91	0.54	0.54	57.71	56.45	(2.18)
Restricted for Capital Projects/E911	3.20	3.16	-	-	3.20	3.16	(1.20)
Unrestricted	8.23	8.57	(1.66)	(1.60)	6.57	6.98	6.16
Total net assets	<u>\$ 68.60</u>	<u>\$ 67.64</u>	<u>\$ (1.12)</u>	<u>\$ (1.06)</u>	<u>\$ 67.48</u>	<u>\$ 66.58</u>	(1.34)

Unrestricted net assets of \$6.97 million may be used to meet the government's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	Governmental Government Activities		Business-type Business Type Activities		Total Activities		Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
Revenues							
Program revenues:							
Charges for services	\$ 2.59	\$ 2.63	\$ 0.05	\$ 0.04	\$ 2.64	\$ 2.67	1.04 %
Operating grants and contributions	0.47	0.37	-	-	0.47	0.37	(21.97)
Capital grants and contributions	0.09	0.11	0.50	0.00	0.59	0.12	(80.06)
General revenues:							
Property taxes	7.70	7.43	-	-	7.70	7.43	(3.45)
Other taxes	4.21	4.20	-	-	4.21	4.20	(0.40)
Investment income	0.03	0.01	-	-	0.03	0.01	(67.43)
Gain on sale of capital assets	-	0.05	-	-	-	0.05	-
Total revenues	15.09	14.79	0.55	0.05	15.64	14.84	(5.10)
Expenses							
General government	2.28	2.98	-	-	2.28	2.98	30.44
Judicial	1.36	1.26	-	-	1.36	1.26	(7.16)
Public safety	5.66	5.78	-	-	5.66	5.78	2.02
Public works	2.68	2.37	-	-	2.68	2.37	(11.62)
Health and welfare	1.79	1.69	-	-	1.79	1.69	(5.48)
Recreation	0.87	0.83	-	-	0.87	0.83	(4.07)
Housing & development	0.40	0.36	-	-	0.40	0.36	(9.38)
Interest on long-term debt	0.22	0.20	-	-	0.22	0.20	(12.28)
Solid waste	-	-	0.37	0.28	0.37	0.28	(24.06)
Total expenses	15.26	15.47	0.37	0.28	15.63	15.75	0.73
Transfers	(0.54)	(0.29)	0.54	0.29	-	-	
Change in net assets	(0.72)	(0.96)	0.73	0.06	0.01	(0.90)	(12,152.12)
Net assets, beginning of year	69.08	68.60	(1.60)	(1.12)	67.48	67.48	(0.00)
Net assets, end of year	\$ 68.36	\$ 67.64	\$ (0.87)	\$ (1.06)	\$ 67.49	\$ 66.58	(1.35)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The changes in net assets between fiscal years 2011 and 2012 were affected by the following:

- Net change in total revenues is a decrease of 5.1%.
- Prisoner upkeep reimbursement revenue decreased \$97,743.
- Solid Waste capital grants and contributions revenue declined \$484,480 by the closure adjustment from Harbin Engineering.
- Investment income declined \$20,000 due to economic conditions and declining SPLOST V cash balance from projects being spent.
- Net change in total expenses is an increase of .73%.
- General Government expenses increased \$700,000 mainly due to the airport terminal being moved out of construction in process.
- Public Works expenses decreased \$310,000 due to the Public Works Director position being in transition to a new employee and a new direction for the department.
- Interest expense on long term debt decreased \$27,615 due to the loan structure of the debt for the new jail and seven fire trucks.
- Solid Waste expenses decreased \$90,000 from closure/post closure costs.
- Total net assets resulted in a net change of a 1.35% decrease.

Business-type activities.

- The Stephens County Solid Waste Management has continued to produce an operating loss – (\$235,162) before interest and transfers from the General Fund. While this fund operates with a deficit each year, it decreased from last year due to contractual services for closure of the landfill.
- A transfer of funds was made from the General Fund back to the Solid Waste Fund in the amount of \$288,700.

Financial Analysis of the Government's Funds

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

General Fund

The general fund is the chief operating fund of Stephens County. At the end of the current fiscal year, non-spendable fund balance was \$9,413 for prepaid items, assigned fund balance of the general fund was \$1,575,049 for landfill post closure care costs and unassigned was \$6,750,735, while the total fund balance was \$8,335,197.

As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Non-spendable fund balance represents .08% of total general fund expenditures, assigned fund balance represents 14.04%, unassigned fund balance represents 60.19%, while total fund balance represents 74.31% of that same amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SPLOST 2004 and 2009

SPLOST (Special purpose local option sales tax) Referendum passed on March 18, 2003 and November 6, 2007, respectively. Proceeds of \$15,500,000 (2003) and \$25,640,000 (2007) will fund multiple capital projects started in 2003 and 2008, respectively. At the end of the current fiscal year, combined SPLOST expenditures were \$1.7 million, revenues were \$1.2 million leaving a fund balance of \$2.6 million. Projects for SPLOST 2004 were completed this fiscal year while SPLOST 2008 is in its third year. Sales tax revenues were for SPLOST 2009.

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

Solid Waste Management

At the end of the current fiscal year, unrestricted net assets (deficit) for the Solid Waste fund were \$(1,596,065) as this fund operates with a deficit each year requiring transfers from the General Fund.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital assets. Stephens County's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$60,730,777 (net of accumulated depreciation). This investment in capital assets includes land, site improvements, buildings, machinery and equipment, and infrastructure.

Stephens County's Capital Assets (net of depreciation)

	Governmental Activities		Percentage Change
	2011	2012	2011-2012
Land	\$ 1,122,103	\$ 1,122,103	- %
Construction in progress	499,216	45,892	(90.81)
Buildings and improvements	21,320,104	21,089,697	(1.08)
Machinery and equipment	3,353,366	3,388,303	1.04
Infrastructure	36,542,606	35,084,782	(3.99)
Total	<u>\$ 62,837,395</u>	<u>\$ 60,730,777</u>	(3.35)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt. Stephens County's long-term debt for the year ended June 30, 2012, is summarized below.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital leases	\$ 1,934,276	\$ -	\$ (516,163)	\$ 1,418,113
Note payable	3,854,699	-	(340,120)	3,514,579
Compensated absences	175,350	123,903	(134,938)	164,315
Total	<u>\$ 5,964,325</u>	<u>\$ 123,903</u>	<u>\$ (991,221)</u>	<u>\$ 5,097,007</u>
Business-type Activities:				
Compensated absences	\$ 5,898	\$ 4,527	\$ (4,077)	\$ 6,348
Landfill post-closure	1,644,268	-	(69,219)	1,575,049
	<u>\$ 1,650,166</u>	<u>\$ 4,527</u>	<u>\$ (73,296)</u>	<u>\$ 1,581,397</u>

Capital leases represent a 4 year lease and a 5 year lease for two pieces of major equipment for the Road Department, 5 vehicles with 3 year leases for the Sheriff's department, 7 fire trucks with a 5 year lease for the volunteer fire departments, and 1 ambulance with a 5 year lease for emergency medical services.

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

Engineering and post-closure costs associated with the closing of the Stephens County landfill are estimated to be approximately \$1,575,049 over a 30 year period and are recorded as a long-term liability of the Solid Waste Fund.

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

Economic Factors and Next Year's Budgets

- The millage rate remains unchanged at 11.32 with a declining digest.
- Property tax collection rates.
- Elimination of property homestead credit grant from the state.
- No significant growth in LOST, SPLOST and Insurance Premium Tax Revenues.
- Top three General Fund revenue sources make up 82% of the general fund operating revenues.
- No new revenue sources.
- Total operating revenues are down 4%.
- Declining landfill user fees as closure is in process.
- No growth in E911 fees.
- No stability in the ability to receive state grant funding.
- Employee salaries and benefits will continue to be an area of discussion for cost reductions causing an issue in employee retention.
- Increasing costs to vendors for operations.
- Cost requirements moving from the state level down to the local level.
- Significant cost items facing the short term future fiscal years are landfill closure, relocation of a force main and debt payments on the new jail moving from SPLOST IV into the General Fund.
- Many cost saving initiatives are being reviewed and implemented such as combining positions and layoffs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

These items were taken into account when adopting the general fund budget for 2013.

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

As for the County's business-type activities, we expect that the 2013 results will have significant changes in the operation as closure has begun at the County landfill.

Requests for Information

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

STEPHENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS

JUNE 30, 2012

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 11,821,039	\$ 34,370	\$ 11,855,409
Taxes receivable	91,730	-	91,730
Accounts receivable, net of allowances	176,764	1,470	178,234
Due from other governments	533,233	-	533,233
Internal balances	34,370	(34,370)	-
Prepaid items	132,160	-	132,160
Deferred charges	36,493	-	36,493
Capital assets, non-depreciable	1,167,995	504,942	1,672,937
Capital assets, depreciable, net of accumulated depreciation	59,562,782	32,059	59,594,841
Total assets	73,556,566	538,471	74,095,037
LIABILITIES			
Accounts payable	387,305	16,139	403,444
Accrued liabilities	77,829	-	77,829
Due to other governments	359,758	-	359,758
Note payable due within one year	340,120	-	340,120
Note payable due in more than one year	3,174,459	-	3,174,459
Capital leases due within one year	507,055	-	507,055
Capital leases due in more than one year	911,058	-	911,058
Compensated absences due within one year	137,221	5,301	142,522
Compensated absences due in more than one year	27,094	1,047	28,141
Accrued closure/postclosure care costs due in more than one year	-	1,575,049	1,575,049
Total liabilities	5,921,899	1,597,536	7,519,435
NET ASSETS (DEFICIT)			
Investment in capital assets, net of related debt	55,911,377	537,001	56,448,378
Restricted for:			
Capital improvements	2,606,927	-	2,606,927
Judicial programs	309,048	-	309,048
Public safety	130,343	-	130,343
Other purposes	-	-	-
Unrestricted	8,676,972	(1,596,066)	7,080,906
Total net assets (deficit)	\$ 67,634,667	\$ (1,059,065)	\$ 66,575,602

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

Component Unit	
Health Department	
\$	412,005
	-
	47,775
	-
	-
	-
	-
	952
	460,732
	2,803
	-
	-
	-
	-
	-
	20,000
	27,324
	-
	50,127
	952
	-
	-
	-
	508
	409,145
\$	410,605

STEPHENS COUNTY, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,980,171	\$ 1,416,710	\$ 136,801	\$ 35,622
Judicial	1,258,533	403,265	87,806	-
Public safety	5,777,076	707,764	141,664	50,153
Public works	2,368,616	-	-	28,322
Health and welfare	1,689,409	14,858	-	-
Recreation	833,741	83,033	-	-
Housing and development	362,350	-	-	-
Interest on long-term debt	197,179	-	-	-
Total governmental activities	<u>15,467,075</u>	<u>2,625,630</u>	<u>366,271</u>	<u>114,097</u>
Business-type activities:				
Solid waste management	279,393	44,231	-	4,479
Total business-type activities	<u>279,393</u>	<u>44,231</u>	<u>-</u>	<u>4,479</u>
Total primary government	<u>\$ 15,746,468</u>	<u>\$ 2,669,861</u>	<u>\$ 366,271</u>	<u>\$ 118,576</u>
Component unit:				
Health Department	\$ 543,427	\$ 205,109	\$ 408,570	\$ -
Total component unit	<u>\$ 543,427</u>	<u>\$ 205,109</u>	<u>\$ 408,570</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets (deficit), beginning of year				
Net assets (deficit), end of year				

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Unit Health Department
\$ (1,391,038)	\$ -	\$ (1,391,038)	\$ -
(767,462)	-	(767,462)	-
(4,877,495)	-	(4,877,495)	-
(2,340,294)	-	(2,340,294)	-
(1,674,551)	-	(1,674,551)	-
(750,708)	-	(750,708)	-
(362,350)	-	(362,350)	-
(197,179)	-	(197,179)	-
<u>(12,361,077)</u>	<u>-</u>	<u>(12,361,077)</u>	<u>-</u>
-	(230,683)	(230,683)	-
-	(230,683)	(230,683)	-
<u>\$ (12,361,077)</u>	<u>\$ (230,683)</u>	<u>\$ (12,591,760)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 70,252
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,252</u>
7,430,090	-	7,430,090	-
3,248,640	-	3,248,640	-
946,786	-	946,786	-
8,427	2	8,429	-
53,627	-	53,627	-
(288,700)	288,700	-	-
<u>11,398,870</u>	<u>288,702</u>	<u>11,687,572</u>	<u>-</u>
(962,207)	58,019	(904,188)	70,252
68,596,874	(1,117,084)	67,479,790	340,353
<u>\$ 67,634,667</u>	<u>\$ (1,059,065)</u>	<u>\$ 66,575,602</u>	<u>\$ 410,605</u>

STEPHENS COUNTY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2012

ASSETS	General	SPLOST	E911	Other Governmental Funds	Total
Cash and cash equivalents	\$ 7,109,365	\$ 2,790,192	\$ 1,020,866	\$ 900,616	\$ 11,821,039
Taxes receivable	82,778	-	-	8,952	91,730
Accounts receivable	66,044	-	77,254	33,466	176,764
Due from other governments	207,738	291,192	-	34,303	533,233
Due from other funds	1,303,185	-	-	7,743	1,310,928
Prepaid items	9,413	110,909	11,838	-	132,160
Total assets	<u>\$ 8,778,523</u>	<u>\$ 3,192,293</u>	<u>\$ 1,109,958</u>	<u>\$ 985,080</u>	<u>\$ 14,065,854</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 302,512	\$ 23,608	\$ 13,557	\$ 47,628	\$ 387,305
Accrued liabilities	77,829	-	-	-	77,829
Deferred revenues	55,242	-	-	-	55,242
Due to other funds	7,743	202,000	1,020,866	45,949	1,276,558
Due to other governments	-	359,758	-	-	359,758
Total liabilities	<u>443,326</u>	<u>585,366</u>	<u>1,034,423</u>	<u>93,577</u>	<u>2,156,692</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	9,413	110,909	-	-	120,322
Restricted for:					
Judicial programs	-	-	-	309,048	309,048
Public safety	-	-	75,535	54,808	130,343
Capital improvements	-	2,496,018	-	-	2,496,018
Assigned for:					
Landfill postclosure care costs	1,575,049	-	-	-	1,575,049
Jail commissary activities	-	-	-	5,178	5,178
Capital improvements	-	-	-	522,469	522,469
Unassigned	6,750,735	-	-	-	6,750,735
Total fund balances	<u>8,335,197</u>	<u>2,606,927</u>	<u>75,535</u>	<u>891,503</u>	<u>11,909,162</u>
Total liabilities and fund balances	<u>\$ 8,778,523</u>	<u>\$ 3,192,293</u>	<u>\$ 1,109,958</u>	<u>\$ 985,080</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

60,730,777

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

55,242

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(5,060,514)

Net assets of governmental activities

\$ 67,634,667

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

STEPHENS COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2012

	General	SPLOST	E911	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 7,461,478	\$ -	\$ -	\$ -	\$ 7,461,478
Sales taxes	2,095,516	1,153,124	-	-	3,248,640
Other taxes	910,856	-	-	35,930	946,786
Licenses and permits	81,856	-	-	-	81,856
Intergovernmental	418,802	35,622	-	57,010	511,434
Rents and royalties	31,199	-	-	-	31,199
Charges for services	500,960	-	427,655	101,799	1,030,414
Fines and forfeitures	403,265	-	-	91,982	495,247
Interest	4,892	28,322	2,125	1,410	36,749
Other revenues	927,230	-	296	-	927,526
Total revenues	<u>12,836,054</u>	<u>1,217,068</u>	<u>430,076</u>	<u>288,131</u>	<u>14,771,329</u>
Expenditures:					
Current:					
General government	2,283,872	-	-	3,499	2,287,371
Judicial	1,233,138	-	-	18,155	1,251,293
Public safety	4,088,507	-	711,287	203,965	5,003,759
Public works	924,278	-	-	2,023	926,301
Health and welfare	1,554,678	-	-	20,095	1,574,773
Culture and recreation	704,078	-	-	17,965	722,043
Housing and development	362,350	-	-	-	362,350
Capital outlay	-	709,346	-	351,227	1,060,573
Debt service:					
Principal	57,237	799,046	-	-	856,283
Interest	8,219	185,428	-	-	193,647
Total expenditures	<u>11,216,357</u>	<u>1,693,820</u>	<u>711,287</u>	<u>616,929</u>	<u>14,238,393</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,619,697</u>	<u>(476,752)</u>	<u>(281,211)</u>	<u>(328,798)</u>	<u>532,936</u>
Other financing sources (uses):					
Transfers in	17,965	-	284,460	600,000	902,425
Transfers out	(1,173,160)	-	-	(17,965)	(1,191,125)
Proceeds from the sale of capital assets	-	-	-	67,777	67,777
Total other financing sources (uses)	<u>(1,155,195)</u>	<u>-</u>	<u>284,460</u>	<u>649,812</u>	<u>(220,923)</u>
Net change in fund balances	464,502	(476,752)	3,249	321,014	312,013
Fund balance, beginning of year	<u>7,870,695</u>	<u>3,083,679</u>	<u>72,286</u>	<u>570,489</u>	<u>11,597,149</u>
Fund balance, end of year	<u>\$ 8,335,197</u>	<u>\$ 2,606,927</u>	<u>\$ 75,535</u>	<u>\$ 891,503</u>	<u>\$ 11,909,162</u>

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

STEPHENS COUNTY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

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

Net change in fund balances - total governmental funds	\$ 312,013
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(1,781,749)
The net effect of various miscellaneous transactions (i.e., sales and donations) is to decrease net assets.	(324,869)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(31,388)
while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	852,751
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>11,035</u>
	<u><u>\$ (962,207)</u></u>

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

STEPHENS COUNTY, GEORGIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 6,748,765	\$ 6,748,765	\$ 7,461,478	\$ 712,713
Sales taxes	2,082,374	2,082,374	2,095,516	13,142
Other taxes	961,178	961,178	910,856	(50,322)
Licenses and permits	42,471	42,471	81,856	39,385
Intergovernmental	593,463	593,463	418,802	(174,661)
Rents and royalties	31,199	31,199	31,199	-
Charges for services	519,155	519,155	500,960	(18,195)
Fines and forfeitures	485,964	485,964	403,265	(82,699)
Interest income	22,506	22,506	4,892	(17,614)
Other revenues	809,560	858,838	927,230	68,392
Total revenues	<u>12,296,635</u>	<u>12,345,913</u>	<u>12,836,054</u>	<u>490,141</u>
Expenditures:				
Current:				
General government:				
General administration	1,370,086	1,443,611	1,437,937	5,674
Registrar/elections	135,380	152,270	150,019	2,251
Tax commissioner	293,656	322,787	322,552	235
Tax assessor	361,333	373,715	373,364	351
Total general government	<u>2,160,455</u>	<u>2,292,383</u>	<u>2,283,872</u>	<u>8,511</u>
Judicial:				
Clerk of courts	362,537	362,102	361,785	317
Superior court	125,250	125,250	109,265	15,985
District attorney	128,735	133,182	132,963	219
Indigent defense	147,200	147,200	122,684	24,516
State court	115,043	116,638	116,638	-
Magistrate court	155,374	155,374	145,527	9,847
Probate court	143,213	144,813	141,017	3,796
Juvenile court	170,000	117,948	103,259	14,689
Total judicial	<u>1,347,352</u>	<u>1,302,507</u>	<u>1,233,138</u>	<u>69,369</u>
Public safety:				
Sheriff's office	3,642,189	3,669,226	3,615,979	53,247
Coroner	26,609	27,899	24,929	2,970
Emergency management	62,627	67,610	58,926	8,684
Probation office	126,394	126,394	119,910	6,484
Animal control	103,000	102,703	82,562	20,141
Rural fire protection	197,879	197,879	186,201	11,678
Total public safety	<u>4,158,698</u>	<u>4,191,711</u>	<u>4,088,507</u>	<u>103,204</u>
Public works:				
Public works department	1,225,850	1,239,659	924,278	315,381
Total public works	<u>1,225,850</u>	<u>1,239,659</u>	<u>924,278</u>	<u>315,381</u>

(Continued)

STEPHENS COUNTY, GEORGIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Expenditures: (Continued)				
Current:				
Health and welfare:				
Public welfare	\$ 75,480	\$ 75,480	\$ 74,109	\$ 1,371
Health and human services	1,264,697	1,265,898	1,265,898	-
Senior citizens center	204,153	214,956	214,671	285
Total health and welfare	1,544,330	1,556,334	1,554,678	1,656
Culture and recreation:				
Parks and recreation	453,614	460,319	437,078	23,241
Library	267,000	267,000	267,000	-
Total culture and recreation	720,614	727,319	704,078	23,241
Housing and development:				
County agent's office	129,482	133,057	67,510	65,547
Economic development	181,263	184,263	184,263	-
Building inspection	64,643	66,223	66,152	71
Airport	10,000	10,000	10,000	-
Payments to other agencies	249,705	183,049	34,425	148,624
Total housing and development	635,093	576,592	362,350	214,242
Debt service:				
Principal	57,296	57,237	57,237	-
Interest	8,160	8,219	8,219	-
Total debt service	65,456	65,456	65,456	-
Total expenditures	11,857,848	11,951,961	11,216,357	735,604
Excess of revenues over expenditures	438,787	393,952	1,619,697	1,225,745
Other financing sources (uses):				
Transfers in	16,128	16,128	17,965	1,837
Transfers out	(2,129,175)	(2,096,579)	(1,173,160)	923,419
Total other financing sources (uses)	(2,113,047)	(2,080,451)	(1,155,195)	925,256
Net change in fund balance	(1,674,260)	(1,686,499)	464,502	2,151,001
Fund balance, beginning of year	7,870,695	7,870,695	7,870,695	-
Fund balance, end of year	\$ 6,196,435	\$ 6,184,196	\$ 8,335,197	\$ 2,151,001

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

STEPHENS COUNTY, GEORGIA

E911 FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 465,248	\$ 465,248	\$ 427,655	\$ (37,593)
Interest income	5,200	5,200	2,125	(3,075)
Other revenues	250	250	296	46
Total revenues	<u>470,698</u>	<u>470,698</u>	<u>430,076</u>	<u>(40,622)</u>
Expenditures:				
Current:				
Personal services	627,511	634,901	633,861	1,040
Supplies	10,850	6,891	6,856	35
Contractual services	85,100	70,570	70,570	-
Total expenditures	<u>723,461</u>	<u>712,362</u>	<u>711,287</u>	<u>1,075</u>
Deficiency of revenues under expenditures	<u>(252,763)</u>	<u>(241,664)</u>	<u>(281,211)</u>	<u>(39,547)</u>
Other financing sources:				
Transfers in	252,763	241,664	284,460	42,796
Total other financing sources	<u>252,763</u>	<u>241,664</u>	<u>284,460</u>	<u>42,796</u>
Net change in fund balance	-	-	3,249	3,249
Fund balance, beginning of year	<u>72,286</u>	<u>72,286</u>	<u>72,286</u>	<u>-</u>
Fund balance, end of year	<u>\$ 72,286</u>	<u>\$ 72,286</u>	<u>\$ 75,535</u>	<u>\$ 3,249</u>

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

STEPHENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2012

	Solid Waste Management Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 34,370
Accounts receivable	1,470
Total current assets	<u>35,840</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable assets	504,942
Depreciable assets	605,665
Less accumulated depreciation	<u>(573,606)</u>
Total capital assets net of accumulated depreciation	<u>537,001</u>
Total assets	<u>572,841</u>
LIABILITIES	
Current liabilities:	
Accounts payable	16,139
Due to other funds	34,370
Compensated absences - current	<u>5,301</u>
Total current liabilities	<u>55,810</u>
Long-term liabilities:	
Accrued closure/postclosure care costs	1,575,049
Compensated absences payable	<u>1,047</u>
Total long-term liabilities	<u>1,576,096</u>
Total liabilities	<u>1,631,906</u>
NET ASSETS (DEFICIT)	
Invested in capital assets	537,001
Unrestricted	<u>(1,596,066)</u>
Total net assets (deficit)	<u><u>\$ (1,059,065)</u></u>

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

STEPHENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Solid Waste Management Fund
OPERATING REVENUES	
Charges for services:	
Garbage collection fees	\$ 37,857
Landfill fees	6,374
Total operating revenues	<u>44,231</u>
OPERATING EXPENSES	
Salaries and benefits	177,284
Supplies and maintenance	12,342
Utilities	9,174
Office expense	1,596
Contractual services	53,397
Depreciation	1,138
Indirect costs	24,462
Total operating expenses	<u>279,393</u>
Operating loss	<u>(235,162)</u>
NONOPERATING REVENUE	
Interest income	2
Other income	4,479
Total nonoperating revenue	<u>4,481</u>
Loss before transfers	(230,681)
Transfer in	<u>288,700</u>
Change in net assets	58,019
NET ASSETS (Deficit), beginning of year	<u>(1,117,084)</u>
NET ASSETS (Deficit), end of year	<u><u>\$ (1,059,065)</u></u>

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

STEPHENS COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Solid Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 43,357
Payments to suppliers and service providers	(144,020)
Payments to employees	(176,834)
Net cash used in operating activities	(277,497)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2
Net cash provided by investing activities	2
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	288,700
Intergovernmental	4,479
Net cash provided by noncapital activities	293,179
Net increase in cash and cash equivalents	15,684
Cash and cash equivalents:	
Beginning of year	18,686
End of year	\$ 34,370
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (235,162)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,138
Increase in accounts receivable	(874)
Increase in accounts payable	10,486
Increase in due to other funds	15,684
Increase in compensated absences	450
Decrease in closure/post-closure payable	(69,219)
Net cash used in operating activities	\$ (277,497)

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

STEPHENS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2012

ASSETS	Agency Funds
Cash and cash equivalents	\$ 587,575
Taxes receivable	136,496
Accounts receivable	<u>2,611</u>
Total assets	<u><u>\$ 726,682</u></u>
 LIABILITIES	
Due to others	\$ 590,186
Uncollected taxes	<u>136,496</u>
Total liabilities	<u><u>\$ 726,682</u></u>

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

STEPHENS COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stephens County, Georgia (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements, except that agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

The County reports the following major proprietary fund:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the County reports the following fund types:

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

The ***capital projects fund*** accounts for the acquisition of capital assets and construction or improvement of major capital projects such as construction of new roads.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's solid waste function and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Budgets

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

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

E. Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Interfund Receivables and Payables

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

G. Prepaid Items

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

H. Capital Assets

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

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

J. Long-Term Obligations

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

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

K. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

- ***Nonspendable*** – Fund balances are reported as nonspendable 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 limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners through the adoption of a resolution. Only the Board of Commissioners may modify or rescind the commitment.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners has authorized the Finance Director to assign fund balances.
- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balance may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use 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: 1) committed, 2) assigned, and 3) unassigned.

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Use of Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$5,060,514 difference are as follows:

Note payable	\$ (3,514,579)
Capital leases payable	(1,418,113)
Debt issuance costs	36,493
Compensated absences	<u>(164,315)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (5,060,514)</u></u>

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,781,749 difference are as follows:

Capital outlay	\$ 738,410
Depreciation expense	<u>(2,520,159)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u><u>\$ (1,781,749)</u></u>

Another element of the reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$852,751 difference are as follows:

Principal repayments:	
Note payable	\$ 340,120
Capital leases	516,163
Amortization of debt issuance costs	<u>(3,532)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u><u>\$ 852,751</u></u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$11,035 difference are as follows:

Change in compensated absences	\$ 11,035
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ 11,035</u>

NOTE 3. LEGAL COMPLIANCE - BUDGETS

A. Budgets and Budgetary Accounting

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

1. Prior to May 1, the Department Heads submit to the County Administrator a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The proposed budgets are then submitted to the Board of Commissioners by the County Administrator for study.
2. Public hearings are conducted at regular Commission meetings to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.
3. Prior to July 1, the budget is legally adopted by the Board of Commissioners through the passage of a resolution.
4. Budget amounts can be transferred between line items within any department; however, any revisions of the budget must be approved by the Board of Commissioners.
5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund and the Special Revenue Funds. Additionally, an annual budget is adopted for the SPLOST Fund and the Capital Projects Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

6. The budgets for the General Fund and the following Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are presented in accordance with finance-related legal and contractual provisions: the Law Library Fund, the Drug Task Force Fund, Jail Commissary Fund, the Jail Fund, the Drug Rehabilitation Fund, the Juvenile Supervision Fund, the Grant Fund, the E911 Fund, the Hotel/Motel Tax Fund, and the Water Lines Fund.

Budgeted amounts are as originally adopted on July 12, 2011, or as amended by the Board of Commissioners. The supplementary budgetary appropriations made were not material.

B. Deficit Fund Equity

The Solid Waste Fund had deficit net assets of \$1,059,065 at June 30, 2012.

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2012, the County's deposits were properly insured and collateralized as defined by GASB pronouncements and the official code of the State of Georgia.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables at June 30, 2012, for the County's individual major and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>E911 Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Solid Waste Management Fund</u>	<u>Total</u>
Receivables:						
Taxes	\$ 82,778	\$ -	\$ -	\$ 8,952	\$ -	\$ 91,730
Other governments	207,738	291,192	-	34,303	-	533,233
Accounts	66,044	-	77,254	33,466	1,470	178,234
Net receivables	<u>\$ 356,560</u>	<u>\$ 291,192</u>	<u>\$ 77,254</u>	<u>\$ 76,721</u>	<u>\$ 1,470</u>	<u>\$ 803,197</u>

Property taxes were levied on September 15, 2011. Bills are payable on or before November 15, 2011, and after which the applicable property is subject to lien. The County bills and collects its own property taxes. Property taxes levied for 2012 are recorded as receivables. The receivables collected during the year ended June 30, 2012, and collected by August 31, 2012, are recognized as revenues in the year ended June 30, 2012.

Net receivables estimated to be collected subsequent to August 31, 2012 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes attached as an enforceable lien on property as of February 15, 2012.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,122,103	\$ -	\$ -	\$ -	\$ 1,122,103
Construction in progress	499,216	286,474	(310,719)	(429,079)	45,892
Total capital assets, not being depreciated	<u>1,621,319</u>	<u>286,474</u>	<u>(310,719)</u>	<u>(429,079)</u>	<u>1,167,995</u>
Capital assets, being depreciated:					
Infrastructure	58,315,926	-	-	-	58,315,926
Buildings	28,189,095	72,032	-	274,027	28,535,154
Machinery and equipment	5,465,393	217,532	(28,700)	155,052	5,809,277
Vehicles	3,234,301	162,372	(174,448)	-	3,222,225
Total capital assets, being depreciated	<u>95,204,715</u>	<u>451,936</u>	<u>(203,148)</u>	<u>429,079</u>	<u>95,882,582</u>
Less accumulated depreciation for:					
Infrastructure	21,773,320	1,457,824	-	-	23,231,144
Buildings	6,868,991	576,466	-	-	7,445,457
Machinery and equipment	3,045,995	329,571	(26,670)	-	3,348,896
Vehicles	2,300,333	156,298	(162,328)	-	2,294,303
Total accumulated depreciation	<u>33,988,639</u>	<u>2,520,159</u>	<u>(188,998)</u>	<u>-</u>	<u>36,319,800</u>
Total capital assets, being depreciated, net	<u>61,216,076</u>	<u>(2,068,223)</u>	<u>(14,150)</u>	<u>429,079</u>	<u>59,562,782</u>
Governmental activities capital assets, net	<u>\$ 62,837,395</u>	<u>\$ (1,781,749)</u>	<u>\$ (324,869)</u>	<u>\$ -</u>	<u>\$ 60,730,777</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 504,942	\$ -	\$ -	\$ 504,942
Total capital assets not being depreciated	<u>504,942</u>	<u>-</u>	<u>-</u>	<u>504,942</u>
Capital assets, being depreciated:				
Buildings	56,903	-	-	56,903
Machinery and equipment	516,782	-	-	516,782
Vehicles	<u>31,980</u>	<u>-</u>	<u>-</u>	<u>31,980</u>
Total capital assets, being depreciated	<u>605,665</u>	<u>-</u>	<u>-</u>	<u>605,665</u>
Less accumulated depreciation for:				
Buildings	23,704	1,138	-	24,842
Machinery and equipment	516,782	-	-	516,782
Vehicles	<u>31,982</u>	<u>-</u>	<u>-</u>	<u>31,982</u>
Total accumulated depreciation	<u>572,468</u>	<u>1,138</u>	<u>-</u>	<u>573,606</u>
Total capital assets being depreciated, net	<u>33,197</u>	<u>(1,138)</u>	<u>-</u>	<u>32,059</u>
Business-type activities capital assets, net	<u><u>\$ 538,139</u></u>	<u><u>\$ (1,138)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 537,001</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

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

Governmental activities:	
General government	\$ 177,113
Judicial	7,240
Public safety	649,078
Public works	1,457,735
Health and welfare	113,844
Culture and recreation	<u>115,149</u>
Total depreciation expense - governmental activities	<u>\$ 2,520,159</u>
Business-type activities:	
Solid waste management	<u>\$ 1,138</u>

B. Discretely Presented Component Unit – Department of Public Health

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 19,412	\$ -	\$ -	\$ 19,412
Total capital assets, being depreciated	<u>19,412</u>	<u>-</u>	<u>-</u>	<u>19,412</u>
Less accumulated depreciation for:				
Machinery and equipment	17,508	952	-	18,460
Total accumulated depreciation	<u>17,508</u>	<u>952</u>	<u>-</u>	<u>18,460</u>
Total capital assets, net	<u>\$ 1,904</u>	<u>\$ (952)</u>	<u>\$ -</u>	<u>\$ 952</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 1,934,276	\$ -	\$ (516,163)	\$ 1,418,113	\$ 507,055
Note payable	3,854,699	-	(340,120)	3,514,579	340,120
Compensated absences	175,350	123,903	(134,938)	164,315	137,221
Governmental activities long-term liabilities	<u>\$ 5,964,325</u>	<u>\$ 123,903</u>	<u>\$ (991,221)</u>	<u>\$ 5,097,007</u>	<u>\$ 984,396</u>
Business-type Activities:					
Compensated absences	\$ 5,898	\$ 4,527	\$ (4,077)	\$ 6,348	\$ 5,301
Landfill closure/postclosure	1,644,268	-	(69,219)	1,575,049	-
Business-type activities long-term liabilities	<u>\$ 1,650,166</u>	<u>\$ 4,527</u>	<u>\$ (73,296)</u>	<u>\$ 1,581,397</u>	<u>\$ 5,301</u>

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

Capital Leases. The County has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and have been recorded at the present value of the future minimum lease payments as of the inception dates. Interest rates range from 2.12% to 4.4%.

The cost and related accumulated depreciation of assets under capital leases as of June 30, 2012 is as follows:

	<u>Governmental Activities</u>
Equipment	\$ 2,549,247
Less accumulated depreciation	<u>(566,707)</u>
	<u>\$ 1,982,540</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 539,265
2014	495,119
2015	440,633
Total minimum lease payments	1,475,017
Less amount representing interest	56,904
Present value of future minimum lease payments	<u>\$ 1,418,113</u>

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

Debt service requirements to maturity at June 30, 2012 for this note payable are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 340,120	\$ 133,841	\$ 473,961
2014	340,120	120,288	460,408
2015	340,120	106,736	446,856
2016	340,120	93,431	433,551
2017	340,120	79,631	419,751
2018 - 2022	1,700,602	194,969	1,895,571
2023	113,377	944	114,321
Total	<u>\$ 3,514,579</u>	<u>\$ 729,840</u>	<u>\$ 4,244,419</u>

Landfill postclosure costs. State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County began the process of closing the landfill site during 2012 and paid closure costs in the amount of \$69,219. The total estimated liability for closure and postclosure care is \$1,575,049 at June 30, 2012. These costs are based on what it would cost to perform all closure and postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Should any problems occur during this period, the costs and time period required for maintenance and monitoring functions may increase.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 45,949
General Fund	E911 Fund	1,020,866
General Fund	SPLOST Fund	202,000
General Fund	Solid Waste Management Fund	34,370
Nonmajor Governmental Funds	General Fund	7,743
		<u>\$ 1,310,928</u>

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 17,965
Nonmajor Governmental Funds	General Fund	600,000
Solid Waste Management Fund	General Fund	288,700
E911 Fund	General Fund	284,460
		<u>\$ 1,191,125</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED CONTRIBUTION PENSION PLAN

The County participates in the Stephens County Pension Plan and Trust, a defined contribution plan, administered primarily by the Minnesota Mutual Insurance Company. The Plan provides retirement benefits to plan participants and beneficiaries. Employee vesting in the County's contributions to the plan is based on a five-year graded vesting schedule. The County contributes an amount equal to 1.5% of the plan year covered compensation of all qualifying participants which totaled 126 for the year ending June 30, 2012. For the fiscal year ending June 30, 2012, the County's contribution to the Plan was \$61,575. Employee voluntary contributions are not allowed under provisions of the plan.

	<u>Amount</u>	<u>Percent of covered payroll</u>
Contribution requirement by County	\$61,575	1.5%
Contributions made by County	\$61,575	1.5%
Total covered payroll	\$4,105,024	

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN - COMPONENT UNIT

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

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

The Health Department contributes 10.41% of the eligible employees' gross earnings. During the year, the Health Department contributed \$27,711. Contributions by employees are withheld by the Health Department. Such withholdings totaled \$3,678 during the year and were paid by the Health Department. The Health Department has no other liability under the plan. The Health Department's total payroll for all employees during the year was \$252,350, of which the entire amount related to employees covered by the retirement plan.

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

NOTE 11. RISK MANAGEMENT

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

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

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

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

NOTE 12. COMMITMENTS AND CONTINGENCIES

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2012, the County paid \$18,299 in such dues. Membership in the RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional commissions in Georgia.

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

Georgia Mountains Regional Commission
1310 West Ridge Road
Gainesville, GA 30501

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

Capital Projects Fund

Capital Projects Fund is used to account for the acquisition of capital assets and construction or improvement of major capital projects such as construction of new roads.

STEPHENS COUNTY, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2012

	Special Revenue Funds					
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Drug Task Force Fund	Jail Commissary Fund
ASSETS						
Cash and cash equivalents	\$ 61,920	\$ 113,440	\$ 1,409	\$ 223,324	\$ 3,115	\$ 5,178
Accounts receivable	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-
Due from other governments	2,711	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 64,631</u>	<u>\$ 113,440</u>	<u>\$ 1,409</u>	<u>\$ 223,324</u>	<u>\$ 3,115</u>	<u>\$ 5,178</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,957	\$ -	\$ -	\$ 254	\$ -	\$ -
Due to other funds	10,981	-	-	-	-	-
Total liabilities	<u>12,938</u>	<u>-</u>	<u>-</u>	<u>254</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for:						
Judicial programs	-	-	1,409	223,070	-	-
Public safety	51,693	-	-	-	3,115	-
Assigned for:						
Jail commissary activity	-	-	-	-	-	5,178
Capital improvements	-	113,440	-	-	-	-
Total fund balances	<u>51,693</u>	<u>113,440</u>	<u>1,409</u>	<u>223,070</u>	<u>3,115</u>	<u>5,178</u>
Total liabilities and fund balances	<u>\$ 64,631</u>	<u>\$ 113,440</u>	<u>\$ 1,409</u>	<u>\$ 223,324</u>	<u>\$ 3,115</u>	<u>\$ 5,178</u>

Hotel/Motel Tax Fund	Law Library Fund	Grant Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 94,658	\$ -	\$ 397,572	\$ 900,616
-	-	-	33,466	33,466
8,952	-	-	-	8,952
-	-	31,592	-	34,303
-	-	-	7,743	7,743
<u>\$ 8,952</u>	<u>\$ 94,658</u>	<u>\$ 31,592</u>	<u>\$ 438,781</u>	<u>\$ 985,080</u>
\$ 4,476	\$ 11,189	\$ -	\$ 29,752	\$ 47,628
<u>4,476</u>	<u>-</u>	<u>30,492</u>	<u>-</u>	<u>45,949</u>
<u>8,952</u>	<u>11,189</u>	<u>30,492</u>	<u>29,752</u>	<u>93,577</u>
-	83,469	1,100	-	309,048
-	-	-	-	54,808
-	-	-	-	5,178
-	-	-	409,029	522,469
<u>-</u>	<u>83,469</u>	<u>1,100</u>	<u>409,029</u>	<u>891,503</u>
<u>\$ 8,952</u>	<u>\$ 94,658</u>	<u>\$ 31,592</u>	<u>\$ 438,781</u>	<u>\$ 985,080</u>

STEPHENS COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds					
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Drug Task Force Fund	Jail Commissary Fund
Revenues:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	101,799
Fines and forfeitures	46,763	-	-	22,005	6,117	-
Interest income	7	57	-	29	-	-
Total revenues	<u>46,770</u>	<u>57</u>	<u>-</u>	<u>22,034</u>	<u>6,117</u>	<u>101,799</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	42,983	-	-	-	3,310	103,282
Public works	-	2,023	-	-	-	-
Health and welfare	-	-	-	13,238	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>42,983</u>	<u>2,023</u>	<u>-</u>	<u>13,238</u>	<u>3,310</u>	<u>103,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,787</u>	<u>(1,966)</u>	<u>-</u>	<u>8,796</u>	<u>2,807</u>	<u>(1,483)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,787	(1,966)	-	8,796	2,807	(1,483)
Fund balances, beginning of year	<u>47,906</u>	<u>115,406</u>	<u>1,409</u>	<u>214,274</u>	<u>308</u>	<u>6,661</u>
Fund balances, end of year	<u>\$ 51,693</u>	<u>\$ 113,440</u>	<u>\$ 1,409</u>	<u>\$ 223,070</u>	<u>\$ 3,115</u>	<u>\$ 5,178</u>

Hotel/Motel Tax Fund	Law Library Fund	Grant Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 35,930	\$ -	\$ -	\$ -	\$ 35,930
-	-	57,010	-	57,010
-	-	-	-	101,799
-	17,097	-	-	91,982
-	13	-	1,304	1,410
<u>35,930</u>	<u>17,110</u>	<u>57,010</u>	<u>1,304</u>	<u>288,131</u>
-	-	-	3,499	3,499
-	17,655	-	500	18,155
-	-	49,053	5,337	203,965
-	-	-	-	2,023
-	-	6,857	-	20,095
17,965	-	-	-	17,965
-	-	-	351,227	351,227
<u>17,965</u>	<u>17,655</u>	<u>55,910</u>	<u>360,563</u>	<u>616,929</u>
<u>17,965</u>	<u>(545)</u>	<u>1,100</u>	<u>(359,259)</u>	<u>(328,798)</u>
-	-	-	600,000	600,000
(17,965)	-	-	-	(17,965)
-	-	-	67,777	67,777
<u>(17,965)</u>	<u>-</u>	<u>-</u>	<u>667,777</u>	<u>649,812</u>
-	(545)	1,100	308,518	321,014
-	84,014	-	100,511	570,489
<u>\$ -</u>	<u>\$ 83,469</u>	<u>\$ 1,100</u>	<u>\$ 409,029</u>	<u>\$ 891,503</u>

STEPHENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2009 ISSUE FOR THE YEAR ENDED JUNE 30, 2012

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
Sewer projects	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -
Hayestone-Brady Park Project	7,000,000	7,000,000	-	-	-
County fire projects	3,500,000	3,500,000	2,205,095	265,713	2,470,808
Purchase of sheriff vehicles	420,000	420,000	271,224	8,268	279,492
Road improvements	2,260,000	2,260,000	287,979	87,866	375,845
Airport terminal project	1,200,000	1,200,000	310,719	221,878	532,597
Farmer market project	100,000	100,000	102,600	-	102,600
Recreation project	700,000	700,000	151,854	111,518	263,372
Fueling station	200,000	200,000	31,787	14,103	45,890
	<u>\$ 16,380,000</u>	<u>\$ 16,380,000</u>	<u>\$ 3,361,258</u>	<u>\$ 709,346</u>	<u>\$ 4,070,604</u>

Debt service payments on equipment already

included as an expenditure above 496,564
\$ 1,205,910

SPLOST expenditures - 2009 issue \$ 1,205,910

SPLOST expenditures - 2004 issue 487,910

Total SPLOST expenditures \$ 1,693,820

NOTE: The prior year expenditure amounts for the construction of the fire building and the purchase of sheriff vehicles have both been corrected to remove debt service payments made on capital leases for which the cost of the asset leased had already been included as an expenditure.

STEPHENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2004 ISSUE FOR THE YEAR ENDED JUNE 30, 2012

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
Acquisition, construction and equipping of new County jail	\$ 7,221,788	\$ 7,221,788	\$ 6,503,340	\$ 487,910	\$ 6,991,250
Renovation and equipping of historic courthouse	2,104,834	2,104,834	2,364,783	-	2,364,783
Acquisition, construction and equipping of enhanced 911 facility	1,896,870	1,896,870	1,896,870	-	1,896,870
Purchase of EMS vehicles	530,000	530,000	530,403	-	530,403
Road and bridge improvements	561,508	561,508	579,199	-	579,199
City of Toccoa (20.548%)	<u>3,185,000</u>	<u>3,185,000</u>	<u>1,427,616</u>	<u>-</u>	<u>1,427,616</u>
	<u>\$ 15,500,000</u>	<u>\$ 15,500,000</u>	<u>\$ 13,302,211</u>	<u>\$ 487,910</u>	<u>\$ 13,790,121</u>

AGENCY FUNDS

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

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

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

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

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

Clerk of Courts
Probate Court
Magistrate Court

STEPHENS COUNTY, GEORGIA

COMBINING BALANCE SHEET AGENCY FUNDS JUNE 30, 2012

<u>ASSETS</u>	Tax Commissioner	Clerk of Courts	Probate Court	Magistrate Court
Cash and cash equivalents	\$ 187,107	\$ 274,517	\$ 963	\$ 66,922
Taxes receivable	136,496	-	-	-
Accounts receivable	-	-	-	-
Total assets	<u>\$ 323,603</u>	<u>\$ 274,517</u>	<u>\$ 963</u>	<u>\$ 66,922</u>
<u>LIABILITIES</u>				
Due to others	\$ 187,107	\$ 274,517	\$ 963	\$ 66,922
Uncollected taxes	136,496	-	-	-
Total liabilities	<u>\$ 323,603</u>	<u>\$ 274,517</u>	<u>\$ 963</u>	<u>\$ 66,922</u>

Sheriff	Jail Inmate	Probation Office	Total
\$ -	\$ 22,445	\$ 35,621	\$ 587,575
-	-	-	136,496
-	2,611	-	2,611
<u>\$ -</u>	<u>\$ 25,056</u>	<u>\$ 35,621</u>	<u>\$ 726,682</u>
\$ -	\$ 25,056	\$ 35,621	\$ 590,186
-	-	-	136,496
<u>\$ -</u>	<u>\$ 25,056</u>	<u>\$ 35,621</u>	<u>\$ 726,682</u>

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Stephens County, Georgia for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Stephens County Department of Public Health, as described in our report on Stephens County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of Stephens County, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Stephens County, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 12-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stephens County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to the management of Stephens County, Georgia in a separate letter dated December 10, 2012.

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 10, 2012

STEPHENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2012

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

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

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

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2012 due to the total amount expended being less than \$500,000.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

12-1. Segregation of Duties (Repeat finding)

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

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

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

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

STEPHENS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

12-1. Segregation of Duties (Repeat finding)

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

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

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

STEPHENS COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

STATUS OF PRIOR YEAR AUDIT FINDINGS

11-1. Segregation of Duties

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

Condition: For the fiscal year ended June 30, 2011, there were not appropriate segregation of duties among recording, distribution, reconciliation of cash accounts and other operational functions in the offices of the elected officials and the various funds possessed by the County.

Auditee Response/Status: Unresolved. See current year finding 12-1.