

STEPHENS COUNTY, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2013**

STEPHENS COUNTY, GEORGIA

FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

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STEPHENS COUNTY, GEORGIA

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
of Stephens County, Georgia
Toccoa, Georgia

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise Stephens County, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stephens County Department of Public Health, which statements reflect total assets of \$519,406 as of June 30, 2013, and total revenues of \$653,484 for the year ended June 30, 2013. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Stephens County Department of Public Health, is based solely on the report of the other auditor. 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the E911 Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 14, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 11) 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.

Other Information

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 and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, as 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 combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stephens County, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 3, 2013

STEPHENS COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013.

Financial Highlights

- The assets of Stephens County exceeded its liabilities at June 30, 2013, by approximately \$63.48 million (net position). Of this amount, \$5.16 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At fiscal year-end June 30, 2013, the County's General Fund reported a total fund balance of \$7,674,809.

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 are comprised 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 position and the statement of activities, which are described below.

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 position may serve over time as a useful indicator of a government's financial position. Assets exceed liabilities by \$63,486,705 at the close of the most recent fiscal year.

A large portion of the County's net position, 87%, 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 Position (in millions of dollars)							
	Governmental Activities		Business-type Activities		Total		Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
Current and other assets	\$ 12.83	\$ 12.11	\$ -	\$ -	\$ 12.83	\$ 12.11	(5.64) %
Capital assets	60.73	58.67	0.54	0.54	61.27	59.21	(3.37)
Total assets	<u>73.56</u>	<u>70.78</u>	<u>0.54</u>	<u>0.54</u>	<u>74.10</u>	<u>71.31</u>	(3.76)
Long-term liabilities outstanding	4.11	3.32	1.58	0.03	5.69	3.36	(41.01)
Other liabilities	1.81	1.76	0.02	2.71	1.83	4.47	144.32
Total liabilities	<u>5.92</u>	<u>5.09</u>	<u>1.60</u>	<u>2.74</u>	<u>7.52</u>	<u>7.83</u>	4.09
Net position:							
Net investment in capital assets	55.91	54.70	0.54	0.54	56.45	55.23	(2.15)
Restricted for							
Capital Projects/E911	3.16	3.09	-	-	3.16	3.09	(2.24)
Unrestricted	8.57	7.90	(1.60)	(2.74)	6.97	5.16	(25.93)
Total net position	<u>\$ 67.64</u>	<u>\$ 65.69</u>	<u>\$ (1.06)</u>	<u>\$ (2.21)</u>	<u>\$ 66.58</u>	<u>\$ 63.48</u>	(4.66)

Unrestricted net position of \$5.16 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 position for the government as a whole.

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

	Governmental Government Activities		Business-type Activities		Total Activities		Percentage Change
	2012	2013	2012	2013	2012	2013	2012 - 2013
Revenues							
Program revenues:							
Charges for services	\$ 2.63	\$ 2.52	\$ 0.04	\$ 0.03	\$ 2.67	\$ 2.55	(4.51) %
Operating grants and contributions	0.37	0.24	-	-	0.37	0.24	(35.30)
Capital grants and contributions	0.11	0.54	-	-	0.11	0.54	393.57
General revenues:							
Property taxes	7.43	7.23	-	-	7.43	7.23	(2.65)
Other taxes	4.20	4.14	-	-	4.20	4.14	(1.45)
Investment income	0.01	0.01	-	-	0.01	0.01	(48.01)
Gain on sale of capital assets	0.06	0.01	-	-	0.06	0.01	-
Total revenues	<u>14.81</u>	<u>14.69</u>	<u>0.04</u>	<u>0.03</u>	<u>14.85</u>	<u>14.71</u>	(0.91)
Expenses							
General government	2.98	2.54	-	-	2.98	2.54	(14.91)
Judicial	1.26	1.36	-	-	1.26	1.36	7.74
Public safety	5.78	6.17	-	-	5.78	6.17	6.78
Public works	2.37	2.76	-	-	2.37	2.76	16.55
Health and welfare	1.69	1.68	-	-	1.69	1.68	(0.33)
Recreation	0.83	0.82	-	-	0.83	0.82	(1.51)
Housing & development	0.36	0.38	-	-	0.36	0.38	5.74
Interest on long-term debt	0.20	0.18	-	-	0.20	0.18	(11.96)
Solid waste	-	-	0.28	1.89	0.28	1.89	575.44
Total expenses	<u>15.47</u>	<u>15.89</u>	<u>0.28</u>	<u>1.89</u>	<u>15.75</u>	<u>17.78</u>	12.87
Transfers	<u>(0.30)</u>	<u>(0.72)</u>	<u>0.30</u>	<u>0.72</u>	<u>-</u>	<u>-</u>	
Change in net position	(0.96)	(1.92)	0.06	(1.15)	(0.90)	(3.06)	(240.27)
Net position, beginning of year	68.60	67.64	(1.12)	(1.06)	67.48	66.58	(1.33)
Prior period adjustment	-	(0.04)	-	-	-	(0.04)	
Net position, beginning of year as restated	<u>68.60</u>	<u>67.60</u>	<u>(1.12)</u>	<u>(1.06)</u>	<u>67.48</u>	<u>66.54</u>	(1.39)
Net position, end of year	<u>\$ 67.64</u>	<u>\$ 65.69</u>	<u>\$ (1.06)</u>	<u>\$ (2.21)</u>	<u>\$ 66.58</u>	<u>\$ 63.48</u>	(4.65)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The changes in net position between fiscal years 2012 and 2013 were affected by the following:

- Net change in total revenues is a decrease of .91%.
- Operating grants and contributions revenue declined from Prisoner Upkeep Reimbursement and GEMA disaster receipts.
- Capital grants and contributions revenue increased from Department of Transportation funding for striping and the completion of a Tugaloo Hiking Trail grant.
- Investment income declined from SPLOST V projects being spent.
- Net change in total expenses is an increase of 12.87%.
- Solid Waste expenses increased due to a significant increase in closure/post closure costs.
- Total net position resulted in a net decrease of a 4.65%.

Business-type activities.

- The Stephens County Solid Waste Management has continued to produce an operating loss of \$1,863,721 before interest and transfers from the General Fund. While this fund operates with a deficit each year, it increased 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 \$716,907 due to increased activity for the closure of the landfill.

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 \$2,600 for prepaid items, assigned fund balance of the general fund was \$2,703,833 for landfill post closure care costs and unassigned was \$4,668,376, while the total fund balance was \$7,674,809.

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 .02% of total general fund expenditures, assigned fund balance represents 22.45%, unassigned fund balance represents 38.76%, while total fund balance represents 63.72% 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 2004 and 2008, respectively. At the end of the current fiscal year, combined SPLOST expenditures were \$1.1 million, revenues were \$1.1 million leaving a fund balance of \$2.65 million. Project spending for SPLOST 2004 were completed this fiscal year while SPLOST 2008 is in its fifth year. Sales tax revenues were for SPLOST 2008.

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 position for the Solid Waste Management fund were \$(2,741,735) 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, 2013, amounts to \$58,671,745 (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
	2012	2013	2012-2013
Land	\$ 1,122,103	\$ 1,122,103	- %
Construction in progress	45,892	-	(100.00)
Buildings and improvements	21,089,697	20,795,292	(1.40)
Machinery and equipment	3,388,303	3,130,342	(7.61)
Infrastructure	35,084,782	33,624,008	(4.16)
Total	<u>\$ 60,730,777</u>	<u>\$ 58,671,745</u>	(3.39)

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, 2013, is summarized below.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital leases	\$ 1,418,113	\$ -	\$ (506,956)	\$ 911,157
Note payable	3,514,579	-	(340,120)	3,174,459
Compensated absences	164,315	250,695	(224,590)	190,420
Total	<u>\$ 5,097,007</u>	<u>\$ 250,695</u>	<u>\$ (1,071,666)</u>	<u>\$ 4,276,036</u>
Business-type Activities:				
Compensated absences	\$ 6,348	\$ 3,459	\$ (3,926)	\$ 5,881
Landfill post-closure	1,575,049	1,128,784	-	2,703,833
	<u>\$ 1,581,397</u>	<u>\$ 1,132,243</u>	<u>\$ (3,926)</u>	<u>\$ 2,709,714</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.

The Note 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 \$2,703,833 over a 30 year period and are recorded as a long-term liability of the Solid Waste Management 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 of 2.32%.
- Elimination of property homestead credit grant from the state with no local recovery.
- Loss of revenue in sales taxes from the new GATE card exemptions, manufacturing utility exemptions and economic conditions.
- Top three General Fund revenue sources make up 80% of the total general fund operating revenues.
- No new revenue sources.
- Total operating revenues are down 2.7%.
- Declining landfill user fees as closure is in process.
- Declining solid waste sticker revenue as the service becomes free to the tax payers.
- 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.
- New juvenile code requirements.
- Three potential death penalty cases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets (continued)

- Significant cost items facing the short term future fiscal years are landfill closure 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.
- Use of fund balance to balance the budget

These items were taken into account when adopting the general fund budget for 2014.

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 2014 results will have significant changes in the operation as C&D closure will be complete 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 POSITION JUNE 30, 2013

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 11,280,793	\$ 44,509	\$ 11,325,302
Taxes receivable	77,818	-	77,818
Accounts receivable, net of allowances	94,631	-	94,631
Due from other governments	569,459	-	569,459
Internal balances	44,509	(44,509)	-
Prepaid items	39,570	-	39,570
Capital assets, non-depreciable	1,122,103	504,942	1,627,045
Capital assets, depreciable, net of accumulated depreciation	57,549,642	30,921	57,580,563
Total assets	70,778,525	535,863	71,314,388
LIABILITIES			
Accounts payable	395,414	32,021	427,435
Accrued liabilities	75,552	-	75,552
Unearned revenue	-	-	-
Due to other governments	338,946	-	338,946
Note payable due within one year	340,120	-	340,120
Note payable due in more than one year	2,834,339	-	2,834,339
Capital leases due within one year	477,503	-	477,503
Capital leases due in more than one year	433,654	-	433,654
Compensated absences due within one year	133,783	4,132	137,915
Compensated absences due in more than one year	56,637	1,749	58,386
Accrued closure/postclosure care costs due in more than one year	-	2,703,833	2,703,833
Total liabilities	5,085,948	2,741,735	7,827,683
NET POSITION			
Net investment in capital assets	54,699,128	535,863	55,234,991
Restricted for:			
Capital improvements	2,649,878	-	2,649,878
Judicial programs	309,048	-	309,048
Public safety	130,343	-	130,343
Other purposes	-	-	-
Unrestricted	7,904,180	(2,741,735)	5,162,445
Total net position	\$ 65,692,577	\$ (2,205,872)	\$ 63,486,705

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

Component Unit	
Health Department	
\$	455,874
	-
	63,532
	-
	-
	-
	-
	-
	-
	-
	519,406
	4,036
	-
	-
	-
	-
	-
	-
	-
	35,000
	4,929
	-
	43,965
	-
	-
	-
	-
	7,373
	468,068
\$	475,441

STEPHENS COUNTY, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

<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	\$ 2,535,692	\$ 1,297,203	\$ 112,352	\$ -
Judicial	1,357,582	380,362	107,195	-
Public safety	6,171,914	744,432	19,860	33,198
Public works	2,762,270	-	-	509,728
Health and welfare	1,684,444	10,691	-	-
Recreation	817,495	89,244	-	-
Housing and development	380,669	-	-	-
Interest on long-term debt	166,084	-	-	-
Total governmental activities	<u>15,876,150</u>	<u>2,521,932</u>	<u>239,407</u>	<u>542,926</u>
Business-type activities:				
Solid waste management	1,891,241	27,520	-	-
Total business-type activities	<u>1,891,241</u>	<u>27,520</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 17,767,391</u>	<u>\$ 2,549,452</u>	<u>\$ 239,407</u>	<u>\$ 542,926</u>
Component unit:				
Health Department	\$ 611,440	\$ 215,609	\$ 437,875	\$ -
Total component unit	<u>\$ 611,440</u>	<u>\$ 215,609</u>	<u>\$ 437,875</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 position				
Net position, beginning of year, restated				
Net position, end of year				

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

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Unit Health Department
\$ (1,126,137)	\$ -	\$ (1,126,137)	\$ -
(870,025)	-	(870,025)	-
(5,374,424)	-	(5,374,424)	-
(2,252,542)	-	(2,252,542)	-
(1,673,753)	-	(1,673,753)	-
(728,251)	-	(728,251)	-
(380,669)	-	(380,669)	-
(166,084)	-	(166,084)	-
<u>(12,571,885)</u>	<u>-</u>	<u>(12,571,885)</u>	<u>-</u>
-	(1,863,721)	(1,863,721)	-
-	(1,863,721)	(1,863,721)	-
<u>\$ (12,571,885)</u>	<u>\$ (1,863,721)</u>	<u>\$ (14,435,606)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 42,044
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,044</u>
7,232,983	-	7,232,983	-
3,173,887	-	3,173,887	-
965,305	-	965,305	-
5,199	7	5,206	-
5,821	-	5,821	-
(716,907)	716,907	-	-
<u>10,666,288</u>	<u>716,914</u>	<u>11,383,202</u>	<u>-</u>
(1,905,597)	(1,146,807)	(3,052,404)	42,044
67,598,174	(1,059,065)	66,539,109	433,397
<u>\$ 65,692,577</u>	<u>\$ (2,205,872)</u>	<u>\$ 63,486,705</u>	<u>\$ 475,441</u>

STEPHENS COUNTY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2013

ASSETS	General	SPLOST	E911	Other Governmental Funds	Total
Cash and cash equivalents	\$ 6,498,287	\$ 2,922,670	\$ 1,224,838	\$ 634,998	\$ 11,280,793
Taxes receivable	66,972	-	-	10,846	77,818
Accounts receivable	18,719	-	75,912	-	94,631
Due from other governments	197,476	257,066	-	114,917	569,459
Due from other funds	1,520,803	-	-	215,577	1,736,380
Prepaid items	2,600	36,970	-	-	39,570
Total assets	<u>\$ 8,304,857</u>	<u>\$ 3,216,706</u>	<u>\$ 1,300,750</u>	<u>\$ 976,338</u>	<u>\$ 13,798,651</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 325,953	\$ 25,882	\$ 24,690	\$ 18,889	\$ 395,414
Accrued liabilities	75,552	-	-	-	75,552
Due to other funds	215,577	202,000	1,224,838	49,456	1,691,871
Due to other governments	-	338,946	-	-	338,946
Total liabilities	<u>617,082</u>	<u>566,828</u>	<u>1,249,528</u>	<u>68,345</u>	<u>2,501,783</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>12,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,966</u>
Total deferred inflows of resources	<u>12,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,966</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	2,600	36,970	-	-	39,570
Restricted for:					
Judicial programs	-	-	-	294,809	294,809
Public safety	-	-	51,222	47,552	98,774
Capital improvements	-	2,612,908	-	309,540	2,922,448
Committed	300,000	-	-	-	300,000
Assigned for:					
Landfill postclosure care costs	2,703,833	-	-	-	2,703,833
Jail commissary activities	-	-	-	6,562	6,562
Capital improvements	-	-	-	249,530	249,530
Unassigned	<u>4,668,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,668,376</u>
Total fund balances	<u>7,674,809</u>	<u>2,649,878</u>	<u>51,222</u>	<u>907,993</u>	<u>11,283,902</u>
Total liabilities deferred inflows of resources and fund balances	<u>\$ 8,304,857</u>	<u>\$ 3,216,706</u>	<u>\$ 1,300,750</u>	<u>\$ 976,338</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 58,671,745

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 12,966

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (4,276,036)

Net position of governmental activities \$ 65,692,577

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 FISCAL YEAR ENDED JUNE 30, 2013

	General	SPLOST	E911	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 7,275,259	\$ -	\$ -	\$ -	\$ 7,275,259
Sales taxes	2,041,847	1,132,040	-	-	3,173,887
Other taxes	931,231	-	-	34,074	965,305
Licenses and permits	51,348	-	-	-	51,348
Intergovernmental	292,303	-	-	543,359	835,662
Rents and royalties	33,592	-	-	-	33,592
Charges for services	514,814	-	444,557	115,968	1,075,339
Fines and forfeitures	380,362	-	-	98,361	478,723
Interest	2,663	13,885	1,893	643	19,084
Other revenues	811,758	-	300	3,658	815,716
Total revenues	<u>12,335,177</u>	<u>1,145,925</u>	<u>446,750</u>	<u>796,063</u>	<u>14,723,915</u>
Expenditures:					
Current:					
General government	2,293,528	-	-	202	2,293,730
Judicial	1,331,997	-	-	36,275	1,368,272
Public safety	4,388,140	-	722,908	384,359	5,495,407
Public works	1,010,483	16,712	-	252	1,027,447
Health and welfare	1,542,032	-	-	35,444	1,577,476
Culture and recreation	681,277	-	-	17,036	698,313
Housing and development	380,669	-	-	-	380,669
Capital outlay	-	488,827	-	339,588	828,415
Debt service:					
Principal	311,162	535,914	-	-	847,076
Interest	104,563	61,521	-	-	166,084
Total expenditures	<u>12,043,851</u>	<u>1,102,974</u>	<u>722,908</u>	<u>813,156</u>	<u>14,682,889</u>
Excess (deficiency) of revenues over (under) expenditures	<u>291,326</u>	<u>42,951</u>	<u>(276,158)</u>	<u>(17,093)</u>	<u>41,026</u>
Other financing sources (uses):					
Transfers in	17,038	-	251,845	-	268,883
Transfers out	(968,752)	-	-	(17,038)	(985,790)
Proceeds from the sale of capital assets	-	-	-	50,621	50,621
Total other financing sources (uses)	<u>(951,714)</u>	<u>-</u>	<u>251,845</u>	<u>33,583</u>	<u>(666,286)</u>
Net change in fund balances	(660,388)	42,951	(24,313)	16,490	(625,260)
Fund balance, beginning 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>
Fund balance, end of year	<u>\$ 7,674,809</u>	<u>\$ 2,649,878</u>	<u>\$ 51,222</u>	<u>\$ 907,993</u>	<u>\$ 11,283,902</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 FISCAL YEAR ENDED JUNE 30, 2013

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

Net change in fund balances - total governmental funds	\$	(625,260)
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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.		(2,014,232)
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The net effect of various miscellaneous transactions (i.e., sales and donations) is to decrease net position.		(44,800)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(42,276)
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The issuance of long-term debt 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		847,076
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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.		(26,105)
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	\$	<u><u>(1,905,597)</u></u>
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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 FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 6,905,050	\$ 6,905,050	\$ 7,275,259	\$ 370,209
Sales taxes	2,050,000	2,050,000	2,041,847	(8,153)
Other taxes	903,807	903,807	931,231	27,424
Licenses and permits	43,287	43,287	51,348	8,061
Intergovernmental	462,252	462,252	292,303	(169,949)
Rents and royalties	31,200	31,200	33,592	2,392
Charges for services	488,320	488,320	514,814	26,494
Fines and forfeitures	389,550	389,550	380,362	(9,188)
Interest income	5,840	5,840	2,663	(3,177)
Other revenues	866,773	879,315	811,758	(67,557)
Total revenues	12,146,079	12,158,621	12,335,177	176,556
Expenditures:				
Current:				
General government:				
General administration	1,345,089	1,511,342	1,417,741	93,601
Registrar/elections	135,153	135,153	122,517	12,636
Tax commissioner	328,711	354,644	347,185	7,459
Tax assessor	381,351	412,066	406,085	5,981
Total general government	2,190,304	2,413,205	2,293,528	119,677
Judicial:				
Clerk of courts	367,617	388,002	381,774	6,228
Superior court	115,551	116,263	115,217	1,046
District attorney	137,771	159,088	159,088	-
Indigent defense	128,311	123,925	123,925	-
State court	115,796	115,796	110,665	5,131
Magistrate court	155,967	159,967	147,579	12,388
Probate court	149,595	149,595	142,816	6,779
Juvenile court	106,545	150,933	150,933	-
Total judicial	1,277,153	1,363,569	1,331,997	31,572
Public safety:				
Sheriff's office	1,957,099	2,030,213	2,030,213	-
Jail operations	1,787,135	1,727,162	1,723,774	3,388
Coroner	28,263	28,263	27,101	1,162
Emergency management	45,451	54,361	47,397	6,964
Probation office	125,981	125,981	121,092	4,889
Animal control	50,000	248,177	248,177	-
Rural fire protection	194,879	194,879	190,386	4,493
Total public safety	4,188,808	4,409,036	4,388,140	20,896
Public works:				
Public works department	755,588	782,209	781,236	973
	278,190	257,864	229,247	28,617
Total public works	1,033,778	1,040,073	1,010,483	29,590

(Continued)

STEPHENS COUNTY, GEORGIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Expenditures: (Continued)				
Current:				
Health and welfare:				
Public welfare	\$ 69,263	\$ 69,263	\$ 58,754	\$ 10,509
Health and human services	1,270,049	1,277,744	1,275,535	2,209
Senior citizens center	205,793	211,024	207,743	3,281
Total health and welfare	1,545,105	1,558,031	1,542,032	15,999
Culture and recreation:				
Parks and recreation	438,523	440,523	414,277	26,246
Library	267,000	267,000	267,000	-
Total culture and recreation	705,523	707,523	681,277	26,246
Housing and development:				
County agent's office	68,926	68,839	66,736	2,103
Planning and zoning	30,800	21,860	15,591	6,269
Economic development	182,763	182,763	182,763	-
Building inspection	65,797	65,797	64,691	1,106
Airport	10,000	10,000	10,000	-
Payments to other agencies	270,159	82,431	40,888	41,543
Total housing and development	628,445	431,690	380,669	51,021
Debt service:				
Principal	314,804	314,805	311,162	3,643
Interest	104,571	104,572	104,563	9
Total debt service	419,375	419,377	415,725	3,652
Total expenditures	11,988,491	12,342,504	12,043,851	298,653
Excess (deficiency) of revenues over (under) expenditures	157,588	(183,883)	291,326	475,209
Other financing sources (uses):				
Transfers in	18,000	18,000	17,038	(962)
Transfers out	(1,566,184)	(1,232,939)	(968,752)	264,187
Total other financing sources (uses)	(1,548,184)	(1,214,939)	(951,714)	263,225
Net change in fund balance	(1,390,596)	(1,398,822)	(660,388)	738,434
Fund balance, beginning of year	8,335,197	8,335,197	8,335,197	-
Fund balance, end of year	<u>\$ 6,944,601</u>	<u>\$ 6,936,375</u>	<u>\$ 7,674,809</u>	<u>\$ 738,434</u>

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 FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 427,000	\$ 427,018	\$ 444,557	\$ 17,539
Interest income	2,240	2,240	1,893	(347)
Other revenues	230	230	300	70
Total revenues	<u>429,470</u>	<u>429,488</u>	<u>446,750</u>	<u>17,262</u>
Expenditures:				
Current:				
Personal services	608,756	603,454	603,454	-
Supplies	10,950	5,306	5,306	-
Contractual services	79,145	114,148	114,148	-
Total expenditures	<u>698,851</u>	<u>722,908</u>	<u>722,908</u>	<u>-</u>
Deficiency of revenues under expenditures	<u>(269,381)</u>	<u>(293,420)</u>	<u>(276,158)</u>	<u>17,262</u>
Other financing sources:				
Transfers in	269,381	269,381	251,845	(17,536)
Total other financing sources	<u>269,381</u>	<u>269,381</u>	<u>251,845</u>	<u>(17,536)</u>
Net change in fund balance	-	(24,039)	(24,313)	(274)
Fund balance, beginning of year	<u>75,535</u>	<u>75,535</u>	<u>75,535</u>	<u>-</u>
Fund balance, end of year	<u>\$ 75,535</u>	<u>\$ 51,496</u>	<u>\$ 51,222</u>	<u>\$ (274)</u>

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

STEPHENS COUNTY, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2013

	Solid Waste Management Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 44,509
Total current assets	<u>44,509</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable assets	504,942
Depreciable assets	605,665
Less accumulated depreciation	(574,744)
Total capital assets net of accumulated depreciation	<u>535,863</u>
Total assets	<u>580,372</u>
LIABILITIES	
Current liabilities:	
Accounts payable	32,021
Due to other funds	44,509
Compensated absences - current	4,132
Total current liabilities	<u>80,662</u>
Long-term liabilities:	
Accrued closure/postclosure care costs	2,703,833
Compensated absences payable	1,749
Total long-term liabilities	<u>2,705,582</u>
Total liabilities	<u>2,786,244</u>
NET POSITION	
Investment in capital assets	535,863
Unrestricted	(2,741,735)
Total net position	<u>\$ (2,205,872)</u>

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

STEPHENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Solid Waste Management Fund
OPERATING REVENUES	
Charges for services:	
Garbage collection fees	\$ 23,387
Landfill fees	4,133
Total operating revenues	<u>27,520</u>
OPERATING EXPENSES	
Salaries and benefits	177,515
Supplies and maintenance	14,329
Utilities	10,514
Office expense	1,451
Contractual services	1,659,104
Depreciation	1,138
Indirect costs	27,190
Total operating expenses	<u>1,891,241</u>
Operating loss	<u>(1,863,721)</u>
NONOPERATING REVENUE	
Interest income	<u>7</u>
Total nonoperating revenue	<u>7</u>
Loss before transfers	(1,863,714)
Transfer in	<u>716,907</u>
Change in net position	(1,146,807)
NET POSITION, beginning of year	<u>(1,059,065)</u>
NET POSITION, end of year	<u><u>\$ (2,205,872)</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, 2013

	Solid Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 28,990
Payments to suppliers and service providers	(557,783)
Payments to employees	(177,982)
Net cash used in operating activities	(706,775)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	7
Net cash provided by investing activities	7
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	716,907
Net cash provided by noncapital activities	716,907
Net increase in cash and cash equivalents	10,139
Cash and cash equivalents:	
Beginning of year	34,370
End of year	\$ 44,509
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,863,721)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,138
Decrease in accounts receivable	1,470
Increase in accounts payable	15,882
Increase in due to other funds	10,139
Decrease in compensated absences	(467)
Increase in closure/post-closure payable	1,128,784
Net cash used in operating activities	\$ (706,775)

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

STEPHENS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2013

ASSETS	Agency Funds
Cash and cash equivalents	\$ 758,449
Taxes receivable	109,736
Accounts receivable	<u>237</u>
Total assets	<u><u>\$ 868,422</u></u>
 LIABILITIES	
Due to others	\$ 758,686
Uncollected taxes	<u>109,736</u>
Total liabilities	<u><u>\$ 868,422</u></u>

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

STEPHENS COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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 position 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are expensed in the year incurred. Bonds payable are reported net of the applicable bond premium or discount.

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. Deferred Inflows / Outflows of Resources

The County implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The County had no items that qualified for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of these items, which arise only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and this amount is deferred and will be recognized as an inflow of resources in the period in which the amount becomes available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 position.”

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:

- **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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, 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 position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

M. 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 Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 \$4,276,036 difference are as follows:

Note payable	\$ (3,174,459)
Capital leases payable	(911,157)
Compensated absences	<u>(190,420)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (4,276,036)</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 position 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 \$2,014,232 difference are as follows:

Capital outlay	\$ 635,185
Depreciation expense	<u>(2,649,417)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ (2,014,232)</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 position.” The details of this \$847,076 difference are as follows:

Principal repayments:	
Note payable	\$ 340,120
Capital leases	<u>506,956</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 847,076</u>

NOTES TO FINANCIAL STATEMENTS

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.
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 June 26, 2012, or as amended by the Board of Commissioners. The supplementary budgetary appropriations made were not material.

NOTES TO FINANCIAL STATEMENTS

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, 2013, the County's deposits and the Health Department'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.

NOTE 5. RECEIVABLES

Receivables at June 30, 2013, 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>Total</u>
Receivables:					
Taxes	\$ 66,972	\$ -	\$ -	\$ 10,846	\$ 77,818
Other governments	197,476	257,066	-	114,917	569,459
Accounts	18,719	-	75,912	-	94,631
Net receivables	<u>\$ 283,167</u>	<u>\$ 257,066</u>	<u>\$ 75,912</u>	<u>\$ 125,763</u>	<u>\$ 741,908</u>

Property taxes were levied on September 14, 2012. Bills are payable on or before November 15, 2012, and after which the applicable property is subject to lien. The County bills and collects its own property taxes. Property taxes levied for 2013 are recorded as receivables. The receivables collected during the year ended June 30, 2013, and collected by August 31, 2013, are recognized as revenues in the year ended June 30, 2013.

Net receivables estimated to be collected subsequent to August 31, 2013 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, 2013.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,122,103	\$ -	\$ -	\$ -	\$ 1,122,103
Construction in progress	45,892	146,507	-	(192,399)	-
Total capital assets, not being depreciated	<u>1,167,995</u>	<u>146,507</u>	<u>-</u>	<u>(192,399)</u>	<u>1,122,103</u>
Capital assets, being depreciated:					
Infrastructure	58,315,926	-	-	(2,949)	58,312,977
Buildings	28,535,154	93,661	-	192,399	28,821,214
Machinery and equipment	5,809,277	307,903	(195,203)	(2,880)	5,919,097
Vehicles	3,222,225	87,114	-	5,829	3,315,168
Total capital assets, being depreciated	<u>95,882,582</u>	<u>488,678</u>	<u>(195,203)</u>	<u>192,399</u>	<u>96,368,456</u>
Less accumulated depreciation for:					
Infrastructure	23,231,144	1,457,825	-	-	24,688,969
Buildings	7,445,457	580,465	-	-	8,025,922
Machinery and equipment	3,348,896	232,833	(150,403)	-	3,431,326
Vehicles	2,294,303	378,294	-	-	2,672,597
Total accumulated depreciation	<u>36,319,800</u>	<u>2,649,417</u>	<u>(150,403)</u>	<u>-</u>	<u>38,818,814</u>
Total capital assets, being depreciated, net	<u>59,562,782</u>	<u>(2,160,739)</u>	<u>(44,800)</u>	<u>192,399</u>	<u>57,549,642</u>
Governmental activities capital assets, net	<u>\$ 60,730,777</u>	<u>\$ (2,014,232)</u>	<u>\$ (44,800)</u>	<u>\$ -</u>	<u>\$ 58,671,745</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>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	24,842	1,138	-	25,980
Machinery and equipment	516,782	-	-	516,782
Vehicles	<u>31,982</u>	<u>-</u>	<u>-</u>	<u>31,982</u>
Total accumulated depreciation	<u>573,606</u>	<u>1,138</u>	<u>-</u>	<u>574,744</u>
Total capital assets being depreciated, net	<u>32,059</u>	<u>(1,138)</u>	<u>-</u>	<u>30,921</u>
Business-type activities capital assets, net	<u><u>\$ 537,001</u></u>	<u><u>\$ (1,138)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 535,863</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	\$ 187,930
Judicial	9,086
Public safety	657,337
Public works	1,559,884
Health and welfare	105,224
Culture and recreation	<u>129,956</u>

Total depreciation expense - governmental activities	<u><u>\$ 2,649,417</u></u>
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Business-type activities:

Solid waste management	<u><u>\$ 1,138</u></u>
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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	18,460	952	-	19,412
Total accumulated depreciation	<u>18,460</u>	<u>952</u>	<u>-</u>	<u>19,412</u>
Total capital assets, net	<u><u>\$ 952</u></u>	<u><u>\$ (952)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 1,418,113	\$ -	\$ (506,956)	\$ 911,157	\$ 477,503
Note payable	3,514,579	-	(340,120)	3,174,459	340,120
Compensated absences	164,315	250,695	(224,590)	190,420	133,783
Governmental activities long-term liabilities	<u>\$ 5,097,007</u>	<u>\$ 250,695</u>	<u>\$ (1,071,666)</u>	<u>\$ 4,276,036</u>	<u>\$ 951,406</u>
Business-type Activities:					
Compensated absences	\$ 6,348	\$ 3,459	\$ (3,926)	\$ 5,881	\$ 4,132
Landfill closure/postclosure	1,575,049	1,128,784	-	2,703,833	-
Business-type activities long-term liabilities	<u>\$ 1,581,397</u>	<u>\$ 1,132,243</u>	<u>\$ (3,926)</u>	<u>\$ 2,709,714</u>	<u>\$ 4,132</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, 2013 is as follows:

	<u>Governmental Activities</u>
Equipment	\$ 2,549,247
Less accumulated depreciation	<u>(841,228)</u>
	<u>\$ 1,708,019</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>
2014	\$ 496,226
2015	<u>439,626</u>
Total minimum lease payments	935,852
Less amount representing interest	<u>24,695</u>
Present value of future minimum lease payments	<u><u>\$ 911,157</u></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, 2013 for this note payable are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	340,120	66,079	406,199
2019-2023	<u>1,473,859</u>	<u>129,833</u>	<u>1,603,692</u>
Total	<u><u>\$ 3,174,459</u></u>	<u><u>\$ 595,998</u></u>	<u><u>\$ 3,770,457</u></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 2013. The total estimated liability for closure and postclosure care is \$2,703,833 at June 30, 2013. These costs are based on what it would cost to perform all closure and postclosure care in 2013. 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, 2013, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 49,456
General Fund	E911 Fund	1,224,838
General Fund	SPLOST Fund	202,000
General Fund	Solid Waste Management Fund	44,509
Nonmajor Governmental Funds	General Fund	215,577
		<u>\$ 1,736,380</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	\$ 17,038
Solid Waste Management Fund	General Fund	716,907
E911 Fund	General Fund	251,845
		<u>\$ 985,790</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 (the "Plan"), 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 128 for the year ending June 30, 2013. For the fiscal year ending June 30, 2013, the County's contribution to the Plan was \$58,090. Employee voluntary contributions are not allowed under provisions of the plan.

	<u>Amount</u>	<u>Percent of covered payroll</u>
Contribution requirement by County	\$58,090	1.5%
Contributions made by County	\$58,090	1.5%
Total covered payroll	\$3,872,655	

The 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.

Employees are divided into two separate plans depending on their date of hire. Employees hired before January 1, 2009 are covered by the plan which requires an employer contribution of 14.9% of employees' gross earnings. Employees hired after January 1, 2009 are covered by a plan which can include a 401(k) contribution. The employer pays 11.54% of employee earnings. In addition, the employer has a matching requirement up to 3% of pay based on the employee's 401(k) contribution.

All full-time eligible 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.

During the year, the Health Department contributed \$38,662. Contributions by employees are withheld by the Health Department. Such withholdings totaled \$6,738 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 \$265,732, of which the entire amount related to employees is 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

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.

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, 2013, the County paid \$19,452 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

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

The County has determined that a restatement to beginning net position of the governmental activities was required to recognize the change in accounting principle for implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, through which bond issuance costs are to be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner of the duration of the related debt, as was the treatment in prior reporting periods. This adjustment resulted in changes to beginning net position of Governmental Activities as follows:

	Governmental Activities
Net position, as previously reported	\$ 67,634,667
Recognition of bond issuance costs in accordance with GASB 65	(36,493)
Net position, as restated	<u>\$ 67,598,174</u>

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, 2013

ASSETS	Special Revenue Funds				
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Drug Task Force Fund
Cash and cash equivalents	\$ 66,438	\$ 113,245	\$ 55	\$ 243,524	\$ 3,115
Taxes receivable	-	-	-	-	-
Due from other governments	2,849	-	-	9,681	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 69,287</u>	<u>\$ 113,245</u>	<u>\$ 55</u>	<u>\$ 253,205</u>	<u>\$ 3,115</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,017	\$ -	\$ -	\$ 506	\$ -
Due to other funds	16,833	-	-	27,200	-
Total liabilities	<u>24,850</u>	<u>-</u>	<u>-</u>	<u>27,706</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Judicial programs	-	-	55	225,499	-
Public safety	44,437	-	-	-	3,115
Capital projects	-	-	-	-	-
Assigned for:					
Jail commissary activity	-	-	-	-	-
Capital improvements	-	113,245	-	-	-
Total fund balances	<u>44,437</u>	<u>113,245</u>	<u>55</u>	<u>225,499</u>	<u>3,115</u>
Total liabilities and fund balances	<u>\$ 69,287</u>	<u>\$ 113,245</u>	<u>\$ 55</u>	<u>\$ 253,205</u>	<u>\$ 3,115</u>

Jail Commissary Fund	Hotel/Motel Tax Fund	Law Library Fund	Grant Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 6,562	\$ -	\$ 65,774	\$ -	\$ 136,285	\$ 634,998
-	10,846	-	-	-	10,846
-	-	-	102,387	-	114,917
-	-	-	215,577	-	215,577
<u>\$ 6,562</u>	<u>\$ 10,846</u>	<u>\$ 65,774</u>	<u>\$ 317,964</u>	<u>\$ 136,285</u>	<u>\$ 976,338</u>
\$ -	\$ 5,423	\$ 177	\$ 4,766	\$ -	\$ 18,889
-	5,423	-	-	-	49,456
-	10,846	177	4,766	-	68,345
-	-	65,597	3,658	-	294,809
-	-	-	-	-	47,552
-	-	-	309,540	-	309,540
6,562	-	-	-	-	6,562
-	-	-	-	136,285	249,530
<u>6,562</u>	<u>-</u>	<u>65,597</u>	<u>313,198</u>	<u>136,285</u>	<u>907,993</u>
<u>\$ 6,562</u>	<u>\$ 10,846</u>	<u>\$ 65,774</u>	<u>\$ 317,964</u>	<u>\$ 136,285</u>	<u>\$ 976,338</u>

STEPHENS COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Special Revenue Funds				
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Drug Task Force Fund
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	12,447	-
Charges for services	-	-	-	-	-
Fines and forfeitures	50,669	-	111	23,536	7,114
Interest income	5	57	-	19	-
Other revenues	-	-	-	-	-
Total revenues	<u>50,674</u>	<u>57</u>	<u>111</u>	<u>36,002</u>	<u>7,114</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Judicial	-	-	1,465	-	-
Public safety	46,610	-	-	-	2,564
Public works	-	252	-	-	-
Health and welfare	-	-	-	33,573	-
Culture and recreation	-	-	-	-	-
Capital outlay	11,320	-	-	-	4,550
Total expenditures	<u>57,930</u>	<u>252</u>	<u>1,465</u>	<u>33,573</u>	<u>7,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,256)</u>	<u>(195)</u>	<u>(1,354)</u>	<u>2,429</u>	<u>-</u>
Other financing sources (uses):					
Transfers out	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(7,256)	(195)	(1,354)	2,429	-
Fund balances, beginning of year	<u>51,693</u>	<u>113,440</u>	<u>1,409</u>	<u>223,070</u>	<u>3,115</u>
Fund balances, end of year	<u>\$ 44,437</u>	<u>\$ 113,245</u>	<u>\$ 55</u>	<u>\$ 225,499</u>	<u>\$ 3,115</u>

Jail Commissary Fund	Hotel/Motel Tax Fund	Law Library Fund	Grant Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 34,074	\$ -	\$ -	\$ -	\$ 34,074
-	-	-	530,912	-	543,359
115,968	-	-	-	-	115,968
-	-	16,931	-	-	98,361
-	-	7	-	555	643
-	-	-	3,658	-	3,658
<u>115,968</u>	<u>34,074</u>	<u>16,938</u>	<u>534,570</u>	<u>555</u>	<u>796,063</u>
-	-	-	-	202	202
-	-	34,810	-	-	36,275
114,584	-	-	220,601	-	384,359
-	-	-	-	-	252
-	-	-	1,871	-	35,444
-	17,036	-	-	-	17,036
-	-	-	-	323,718	339,588
<u>114,584</u>	<u>17,036</u>	<u>34,810</u>	<u>222,472</u>	<u>323,920</u>	<u>813,156</u>
<u>1,384</u>	<u>17,038</u>	<u>(17,872)</u>	<u>312,098</u>	<u>(323,365)</u>	<u>(17,093)</u>
-	(17,038)	-	-	-	(17,038)
-	-	-	-	50,621	50,621
-	(17,038)	-	-	50,621	33,583
1,384	-	(17,872)	312,098	(272,744)	16,490
<u>5,178</u>	<u>-</u>	<u>83,469</u>	<u>1,100</u>	<u>409,029</u>	<u>891,503</u>
<u>\$ 6,562</u>	<u>\$ -</u>	<u>\$ 65,597</u>	<u>\$ 313,198</u>	<u>\$ 136,285</u>	<u>\$ 907,993</u>

STEPHENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2009 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<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	\$ -	\$ 16,712	\$ 16,712
Hayestone-Brady Park Project	7,000,000	7,000,000	-	-	-
County fire projects	3,500,000	3,500,000	2,470,808	-	2,470,808
Purchase of sheriff vehicles	420,000	420,000	279,492	-	279,492
Road improvements	2,260,000	2,260,000	375,845	167,400	543,245
Airport terminal project	1,200,000	1,200,000	532,597	162,871	695,468
Farmer market project	100,000	100,000	102,600	-	102,600
Recreation project	700,000	700,000	263,372	12,050	275,422
Fueling station	200,000	200,000	45,890	146,506	192,396
	<u>\$ 16,380,000</u>	<u>\$ 16,380,000</u>	<u>\$ 4,070,604</u>	<u>\$ 505,539</u>	<u>\$ 4,576,143</u>
Debt service payments on equipment already included as an expenditure above				<u>597,435</u>	
				<u>\$ 1,102,974</u>	

STEPHENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2004 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<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	\$ 6,991,250	\$ -	\$ 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>\$ 13,790,121</u>	<u>\$ -</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, 2013

<u>ASSETS</u>	Tax Commissioner	Clerk of Courts	Probate Court	Magistrate Court
Cash and cash equivalents	\$ 425,918	\$ 181,442	\$ 1,325	\$ 75,606
Taxes receivable	109,736	-	-	-
Accounts receivable	-	-	-	-
Total assets	<u>\$ 535,654</u>	<u>\$ 181,442</u>	<u>\$ 1,325</u>	<u>\$ 75,606</u>
<u>LIABILITIES</u>				
Due to others	\$ 425,918	\$ 181,442	\$ 1,325	\$ 75,606
Uncollected taxes	109,736	-	-	-
Total liabilities	<u>\$ 535,654</u>	<u>\$ 181,442</u>	<u>\$ 1,325</u>	<u>\$ 75,606</u>

Sheriff	Jail Inmate	Probation Office	Total
\$ -	\$ 31,253	\$ 42,905	\$ 758,449
-	-	-	109,736
-	237	-	237
<u>\$ -</u>	<u>\$ 31,490</u>	<u>\$ 42,905</u>	<u>\$ 868,422</u>
<u><u>\$ -</u></u>	<u><u>\$ 31,490</u></u>	<u><u>\$ 42,905</u></u>	<u><u>\$ 868,422</u></u>
\$ -	\$ 31,490	\$ 42,905	\$ 758,686
-	-	-	109,736
<u>\$ -</u>	<u>\$ 31,490</u>	<u>\$ 42,905</u>	<u>\$ 868,422</u>
<u><u>\$ -</u></u>	<u><u>\$ 31,490</u></u>	<u><u>\$ 42,905</u></u>	<u><u>\$ 868,422</u></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, 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, 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 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Stephens County, Georgia's basic financial statements, and have issued our report thereon dated December 3, 2013. Our report includes a reference to other auditors who 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. Our report also includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No.65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 13-1 that we consider to be a significant deficiency.

Compliance and Other Matters

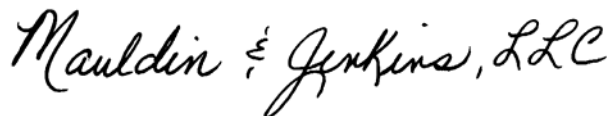
As part of obtaining reasonable assurance about whether Stephens County, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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*.

Stephens County, Georgia's Response to Findings

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

Purpose of this Report

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



Macon, Georgia
December 3, 2013

STEPHENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? ____ yes X no

Significant deficiencies identified not considered
to be material weaknesses? X yes ____ no

Noncompliance material to financial statements noted? ____ yes X no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2013 due to the total amount expended being less than \$500,000.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

13-1. 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 FISCAL YEAR ENDED JUNE 30, 2013

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES

13-1. 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 FISCAL YEAR ENDED JUNE 30, 2013

STATUS OF PRIOR YEAR AUDIT FINDINGS

12-1. 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, 2012, 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 13-1.