MITCHELL COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

MITCHELL COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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FINANCIAL SECTION

MAULDIN & JENKINS

CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Mitchell County, Georgia
Camilla, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Mitchell County, Georgia (the "County")**, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Mitchell 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 Mitchell County Board of Health, which represents 43%, 40%, and 92%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. 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 Mitchell County Board of Health, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mitchell County, Georgia as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General 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, 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 January 1, 2012. Our opinions are 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 10) and the Schedule of Funding Progress on page 49 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 Mitchell 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 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 July 23, 2013, on our consideration of Mitchell County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mitchell County, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Albany, Georgia
July 23, 2013

Introduction

As County Administrator of Mitchell County, Georgia, I, along with the Board of Commissioners, offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Mitchell County for the year ended December 31, 2012. This discussion is intended to help provide a comprehensive understanding of the financial performance and condition of Mitchell County, Georgia taken as a whole. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and the notes to the financial statements.

Fiscal Year 2012 is the eighth year Mitchell County has prepared its annual report in compliance with the financial reporting model, GASB 34. This reporting model is a combination of both Government–Wide Financial Statements and Fund Financial Statements. As such, our basic financial statements contain three components:

1) Government-Wide Financial Statements including the Statement of Net Position and the Statement of Activities. These statements provide a broad, long-term overview of the County's finances based upon the driving factors of economic resources available.
2) Fund Financial Statements including Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. These statements focus more on the short-term performance of the County's finances based upon the current financial resources available.
3) Notes to financial statements.

The discussion and analysis will assist the reader by highlighting and summarizing in general terms the basic financial information contained within the annual report.

Financial Highlights

Key Financial Highlights for fiscal year 2012 are as follows:

Government-Wide Financial Statements:

- At December 31, 2012, Mitchell County's assets exceeded its liabilities by $13,618,226 (net position).
- The County's $18,635,073 investment in capital assets leaves the County with $(5,016,847) in net position of which $2,614,258 is restricted in governmental activities.
- Mitchell County, Georgia's total net position increased from $10,621,567 in the prior year to $13,618,226 in the current year, for a total increase of $2,996,659, or 28.21%.
- Mitchell County, Georgia's revenues for fiscal year 2012 totaled $20,913,483. Of this amount, 57% are property tax revenues, 14% are sales tax revenues, 3% are other tax revenues, 23% are charges for services and the remaining 3% are other revenues. This is a 3% decrease over fiscal year 2011 revenues.
- Mitchell County, Georgia's total program expenses for fiscal year 2012 totaled $17,916,824. Of this amount, 37% are public safety expenses, 19% are general governmental expenses, 1% are housing and development expenses, 20% are public works expenses and the remaining 23% are other expenses. This is a 19% decrease over fiscal year 2011 expenses.

Governmental Funds Financial Statements:

- Mitchell County, Georgia's Governmental Funds recorded total assets of $7,101,648 for the year ended December 31, 2012. This amount is over the total Governmental Funds liabilities by $4,937,838 (fund balance).

- Total Governmental Fund's fund balances for the year ending December 31, 2012 increased by $3,138,676 from the previous year. This increase was a result of a $1,294,255 increase in the General Fund, a $75,896 decrease in the 2006-2011 Sales Tax Fund, a $2,023,624 increase in the 2012-2017 Sales Tax Fund, and a $103,307 decrease in Other Governmental Funds.
- Total Governmental Fund Balance of $2,055,168 is all classified as unassigned.
- Total revenues for the General Fund were over budgeted amounts by $52,690 or approximately 0.4% and total expenditures for the General Fund were under budget by $1,314,623, or approximately 9%.

Overview of the Financial Statements

The reporting model for the Government-Wide Financial Statements is designed to provide readers with a broad overview of the County's financial performance over the past year and the resulting condition thereof. The statements resemble those of private sector business by taking on an "economic resource" approach as opposed to a "current resource" approach traditionally found in Fund Financial Statements. Additionally, this Management Discussion & Analysis helps highlight and emphasize in plain language the events that have occurred over the past year to bring about the current financial condition of the County. I encourage readers to review all of the basic financial statements, along with the MD&A and supplementary information in order to fully understand the overall financial position of Mitchell County, Georgia.

Reporting on the County as a Whole

The model of financial reporting, which includes the Statement of Net Position and the Statement of Activities beginning on page 11, helps readers identify whether or not the County as a whole is in better condition as a result of the events that have taken place over the past year. These statements capture *all* assets and liabilities using the *accrual basis of accounting.* This format of accounting resembles that used by most private-sector companies by recording all of the current year's revenues and expenses regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, the County is presented in two distinct activities:

- Governmental Activities – This section reports most of the familiar governmental services: general government, judicial, public safety, public works, health and welfare, recreation, and housing and development. The majority of funding for these programs comes from property taxes, sales tax, charges for services, and fines & forfeitures.
- Business-type Activities – This section reports activities that are financed and operated in a manner similar to private business enterprises where the intent of the governing authority is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing authority has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. For purposes of this paragraph, the term "costs" means expenses, including depreciation.
- Component units – There are two component unit reports, the Mitchell County Development Authority and the Mitchell County Board of Health. Although these units are legally separate entities, it is important because the County has a significant financial interest in these units.

Reporting on the County's Most Significant Funds

The Fund Financial Statements beginning on page 15 provide a more detailed look at the County's most significant funds – not the County as a whole. While some funds are required by state law, others are established by the Board of Commissioners to help control budgets and financing for specific purposes. The County maintains three categories of funds: Governmental, Proprietary and Fiduciary.

- Governmental Funds – As you might expect; most of the familiar governmental services (general government, judiciary, public safety, public works, health and welfare, recreation, housing and development) are captured and reported in Governmental Funds. These funds use a method of accounting called the modified accrual approach. This method of accounting measures cash and other financial assets that can be readily converted into cash. The Governmental Funds provide a short-term view of the County's general government operations and services, and help determine the amount of financial resources that are available in the near future to fund County programs. On page 17 is the reconciliation between the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds and the Statements of Activities.
- Proprietary Funds - The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Water and Sewer System Fund and Self-Insurance Health Benefit Fund. The accounting method used for these funds is much like that used for a business, the *full accrual* method.
- Fiduciary Funds- These funds are established to report on assets being held by the County for the benefit of parties outside the County. Although these funds are presented in the Fund Financial statements, they do not appear in the Government-wide statements because the resources of these funds are not available to support the programs of Mitchell County Local Government. The accounting method used for these funds is much like that used for proprietary funds, the *full accrual* method.

Mitchell County Government-Wide Financial Analysis

The following table presents a summary of the Statement of Net Position for the County as of December 31, 2012 and 2011.

Table 1
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Current and Other Assets	**$ 6,644,760**	$ 4,782,307	**$ 34,633**	$ 32,324	**$ 6,679,393**	$ 4,814,631
Capital Assets	**18,595,298**	19,362,833	**698,907**	762,048	**19,294,205**	20,124,881
Total Assets	**25,240,058**	24,145,140	**733,540**	794,372	**25,973,598**	24,939,512
Long-term Liabilities	**9,968,074**	10,539,829	**153,868**	180,298	**10,121,942**	10,720,127
Other Liabilities	**1,958,014**	3,029,870	**275,416**	567,948	**2,233,430**	3,597,818
Total Liabilities	**11,926,088**	13,569,699	**429,284**	748,246	**12,355,372**	14,317,945
Net Position:						
Net Investment in Capital Assets	**18,115,392**	18,895,475	**519,681**	557,464	**18,635,073**	19,452,939
Restricted	**2,614,258**	731,258	**-**	-	**2,614,258**	731,258
Unrestricted	**(7,415,680)**	(9,051,292)	**(215,425)**	(511,338)	**(7,631,105)**	(9,562,630)
Total Net Position	**$ 13,313,970**	$ 10,575,441	**$ 304,256**	$ 46,126	**$ 13,618,226**	$ 10,621,567

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $13,618,226 at the close of the most recent fiscal year.

By far the largest portion of the County's net position (137 percent) reflects its investment in capital assets (e.g., land, building 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.

An additional portion of the County's net position (19 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is ($7,631,105) and an increase in the millage rate has been approved by the Board of Commissioners to satisfy the guarantee of the FUEL bonds and to eliminate the deficit in unrestricted net position.

The following table summarizes the changes in net position for the primary government for the fiscal years ended December 31, 2012 and 2011.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues:						
Program revenues:						
Charges for services	**$ 2,591,285**	$ 3,710,885	**$ 2,167,489**	$ 1,782,494	**$ 4,758,774**	$ 5,493,379
Operating grants	**95,807**	21,450	**-**	-	**95,807**	21,450
Capital grants	**560,971**	1,412,790	**-**	-	**560,971**	1,412,790
General revenue:						
Property taxes	**11,896,354**	11,132,018	**-**	-	**11,896,354**	11,132,018
Sales taxes	**2,934,068**	2,824,453	**-**	-	**2,934,068**	2,824,453
Insurance premium taxes	**576,559**	539,689	**-**	-	**576,559**	539,689
Other taxes	**32,060**	34,145	**-**	-	**32,060**	34,145
Unrestricted investment earnings	**10,329**	4,605	**-**	-	**10,329**	4,605
Gain on sale of assets	**48,561**	5,756	**-**	-	**48,561**	5,756
Total revenues	**18,745,994**	19,685,791	**2,167,489**	1,782,494	**20,913,483**	21,468,285
Program expenses:						
General government	**3,402,500**	4,113,838	**-**	-	**3,402,500**	4,113,838
Judicial	**1,067,383**	1,033,511	**-**	-	**1,067,383**	1,033,511
Public safety	**6,597,679**	7,206,453	**-**	-	**6,597,679**	7,206,453
Public works	**3,595,676**	5,955,840	**-**	-	**3,595,676**	5,955,840
Health and welfare	**157,917**	189,499	**-**	-	**157,917**	189,499
Recreation	**340,818**	394,397	**-**	-	**340,818**	394,397
Housing and development	**170,143**	251,720	**-**	-	**170,143**	251,720
Interest on long-term debt	**666,862**	772,567	**-**	-	**666,862**	772,567
Water	**-**	-	**260,502**	378,905	**260,502**	378,905
Self-insurance health benefit	**-**	-	**1,657,344**	1,843,221	**1,657,344**	1,843,221
Total expenses	**15,998,978**	19,917,825	**1,917,846**	2,222,126	**17,916,824**	22,139,951
Excess (deficiency)	**2,747,016**	(232,034)	**249,643**	(439,632)	**2,996,659**	(671,666)
Transfers	**(8,487)**	(94,666)	**8,487**	94,666	**-**	-
Change in net position	**2,738,529**	(326,700)	**258,130**	(344,966)	**2,996,659**	(671,666)
Net position - beg of year	**10,575,441**	10,902,141	**46,126**	391,092	**10,621,567**	11,293,233
Net position - end of year	**$ 13,313,970**	$ 10,575,441	**$ 304,256**	$ 46,126	**$ 13,618,226**	$ 10,621,567

Total revenues for governmental activities exceed total expenses and transfers by $2,738,529. By review of Table 2, it is apparent that the bulk of revenues supporting governmental activities are attributable to property taxes, $11,896,354 or 64%, and charges for services $2,591,285 or 14%.

Additionally, Table 2 illustrates the bulk of governmental activities expense being reported within the program of public safety, reporting expenses of $6,597,679 or 41%, with the second largest expense attributable to public works with expenses of $3,595,676 or 22%.

Governmental Activities

The current reporting model provides users with an understanding of how governmental activities are fully supported. Table 3 will help illustrate how these programs fall short of supporting themselves and must therefore rely on general revenues such as property tax, sales tax, fines and grants. The table lists the total cost of each program, and the final net cost (total cost less revenues generated by the program).

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	**2011**	**2012**	**2011**
General government	**$ 3,402,500**	$ 4,113,838	**$ 3,319,022**	$ 4,070,397
Judicial	**1,067,383**	1,033,511	**1,067,383**	1,033,511
Public safety	**6,597,679**	7,206,453	**4,163,142**	3,612,696
Public works	**3,595,676**	5,955,840	**2,919,875**	4,696,753
Health and welfare	**157,917**	189,499	**157,917**	189,499
Recreation	**340,818**	394,397	**286,609**	337,546
Housing and development	**170,143**	251,720	**170,105**	59,731
Interest on long-term debt	**666,862**	772,567	**666,862**	772,567
Totals	**$ 15,998,978**	$ 19,917,825	**$ 12,750,915**	$ 14,772,700

As noted in the above table, governmental programs fell $12,750,915 short of supporting themselves through direct revenues attributable to those programs. As a result, citizens support these programs through payment of property taxes, sales taxes, and other taxes.

While the County was able to support its Governmental Activities, it should be noted that a few significant factors affected total revenues for the year ended December 31, 2012.

The County's Major Governmental Funds

At the end of fiscal year 2012, the County reported its governmental funds (as presented in the balance sheet on page 15) having a combined fund balance of $4,937,838. This balance increased by $3,138,676 from prior year's balance. The Statement of Revenues, Expenditures, and Changes in Fund Balances presented on page 16 reports fund balance of $2,055,168 in the General Fund, $320,759 was reported for 2006-2011 Sales Tax Fund, $2,023,624 for the 2012-2017 Sales Tax Fund and $538,287 for Other Governmental Funds.

Revenues for the General Fund totaled $15,013,431, or approximately 80% of total governmental revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance presented on page 16. Of this amount, $12,082,308 (80%) was collected through property taxes, with second largest source of revenues reported in the line item of charges for services, $1,530,750 (10%).

Expenditures for the General Fund totaled $13,974,063 (not including other financing sources). Revenues exceeded expenditures by $1,039,368.

General Fund Budgetary Highlights

Total revenues in the General Fund were over budgeted amounts by $52,690, or approximately 0.4%. This final result is a combination of both positive and negative variance as reported on the General Fund Budgetary Comparison Statement presented on page 18. The largest positive variance, $1,217,308 is reported in the line item of property taxes.

General Fund expenditures (not including Other Financing Uses) for the year ended December 31, 2012 were under budget by $1,314,623, or approximately 9%. The largest area of variance of $512,512 was positive and is reported within the emergency medical services.

Capital Asset and Debt Administration

Mitchell County, Georgia's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to $19,294,205 (net of accumulated depreciation). This is a decrease of $830,676 from last year. The decrease is mostly due the depreciation of capital assets. Table 4 is summary data of capital assets.

Table 4
Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities	Business-type Activities	Total
Land	$ 3,008,045	$ 81,920	$ 3,089,965
Buildings	5,005,193	404,644	5,409,837
Infrastructure	9,428,703	211,110	9,639,813
Vehicles and equipment	1,153,357	1,233	1,154,590
Totals	$ 18,595,298	$ 698,907	$ 19,294,205

It should be noted that the majority of the capital assets in Mitchell County, Georgia have been obtained through the use of Special Purpose Local Option Sales Tax (SPLOST). Currently, the County is approximately 95% complete with the 2006 SPLOST program. More detail on the County's capital assets can be found in Note 6, pages 35-37 of the Notes to the Financial Statements.

At year end, the County had a total of $11,108,236 in outstanding long term liabilities which includes $2,786,632 in closure and post closure care costs for the Mitchell County Landfill and the balance being notes payable, bonds payable, capital leases and compensated absences. More information regarding the County's long-term debt can be found in Note 7, pages 38-42, and short-term debt can be found in Note 8, page 42 in the Notes to Financial Statements.

Other Economic Factors

The Board of Commissioners and the County Administrator have considered several factors when establishing the FY13 budget including, the effects rendered on the County as a result of the overall economic issues affecting the entire County as a result in decreased SPLOST and LOST revenues, the impact of the mortgage crisis on the tax digest, the obligations due from the County's guarantee of FUEL bonds, and the closure of businesses.

Finally, the Board in conjunction with the County Administrator will continue to develop various financial policies to help govern the way Mitchell County, Georgia does business. These policies will include standards to track account balances on a monthly basis compared to budget. Furthermore, standards will be implemented to ensure appropriate procurement procedures are followed and adherence to budget is achieved.

Contacting the County's Financial Management

This Annual Financial Report is designed to help citizens, taxpayers, customers, investors, and creditors evaluate the overall condition of Mitchell County, Georgia and the operations thereof. Additional details can be requested by mail at the following address: Mitchell County Board of Commissioners, P.O. Box 187, Camilla, Georgia 31730.

MITCHELL COUNTY, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 4,305,863	$ -	$ 4,305,863
Investments	-	-	-
Taxes receivable	2,111,966	-	2,111,966
Accounts receivable, net of allowances	64,306	34,633	98,939
Notes receivable	140,840	-	140,840
Due from other governments	-	-	-
Other assets	21,785	-	21,785
Capital assets:			
Nondepreciable	3,008,045	81,920	3,089,965
Depreciable, net of accumulated depreciation	15,587,253	616,987	16,204,240
Total assets	25,240,058	733,540	25,973,598
LIABILITIES			
Outstanding checks in excess of bank balance	-	9,592	9,592
Accounts payable	235,316	-	235,316
Accrued liabilities	160,029	655	160,684
Claims payable	-	234,785	234,785
Due to other governments	606,759	-	606,759
Capital leases payable due within one year	203,305	-	203,305
Capital leases payable due in more than one year	238,763	-	238,763
Notes payable due within one year	23,648	26,363	50,011
Notes payable due in more than one year	14,190	152,863	167,053
Bonds payable due within one year	615,000	-	615,000
Bonds payable due in more than one year	6,900,000	-	6,900,000
Compensated absences due within one year	113,957	4,021	117,978
Compensated absences due more than one year	28,489	1,005	29,494
Closure and postclosure care costs	2,786,632	-	2,786,632
Total liabilities	11,926,088	429,284	12,355,372
NET POSITION			
Net investment in capital assets	18,115,392	519,681	18,635,073
Restricted for:			
Judicial	38,642	-	38,642
Public safety	180,090	-	180,090
Economic development	51,143	-	51,143
Capital outlay	2,344,383	-	2,344,383
Special use	-	-	-
Unrestricted (deficit)	(7,415,680)	(215,425)	(7,631,105)
Total net position	$ 13,313,970	$ 304,256	$ 13,618,226

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

Component Units	
Mitchell County Board of Health	Mitchell County Development Authority
$ 383,160	$ 138,844
-	243,213
-	-
-	-
-	-
10,596	-
-	-
-	50,024
1,191	92,335
394,947	524,416
-	-
20,468	-
-	-
-	-
-	-
-	-
-	-
-	4,707
-	-
-	-
-	-
2,625	-
23,622	-
-	-
46,715	4,707
1,191	137,652
-	-
-	-
-	-
-	-
252,178	-
94,863	382,057
$ 348,232	$ 519,709

MITCHELL COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 3,402,500	$ 83,478	$ -	$ -
Judicial	1,067,383	-	-	-
Public safety	6,597,679	2,407,245	3,369	23,923
Public works	3,595,676	47,411	92,438	535,952
Health and welfare	157,917	-	-	-
Recreation	340,818	53,151	-	1,058
Housing and development	170,143	-	-	38
Interest on long-term debt	666,862	-	-	-
Total governmental activities	15,998,978	2,591,285	95,807	560,971
Business-type activities:				
Water and sewer system	260,502	382,312	-	-
Self-insurance health benefit	1,657,344	1,785,177	-	-
Total business-type activities	1,917,846	2,167,489	-	-
Total primary government	$ 17,916,824	$ 4,758,774	$ 95,807	$ 560,971
Component units:				
Mitchell County Board of Health	727,913	274,741	441,155	-
Mitchell County Development Authority	50,518	12,312	46,333	-
Total component units	$ 778,431	$ 287,053	$ 487,488	$ -

General revenues:
- Property taxes
- Sales taxes
- Franchise fees
- Insurance premium tax
- 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

Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Mitchell County Board of Health	Mitchell County Development Authority
$ (3,319,022)	$ -	$ (3,319,022)	$ -	$ -
(1,067,383)	-	(1,067,383)	-	-
(4,163,142)	-	(4,163,142)	-	-
(2,919,875)	-	(2,919,875)	-	-
(157,917)	-	(157,917)	-	-
(286,609)	-	(286,609)	-	-
(170,105)	-	(170,105)	-	-
(666,862)	-	(666,862)	-	-
(12,750,915)	-	(12,750,915)	-	-
-	121,810	121,810	-	-
-	127,833	127,833	-	-
-	249,643	249,643	-	-
(12,750,915)	249,643	(12,501,272)	-	-
-	-	-	(12,017)	-
-	-	-	-	8,127
$ -	$ -	$ -	$ (12,017)	$ 8,127
$ 11,896,354	$ -	$ 11,896,354	$ -	$ -
2,934,068	-	2,934,068	-	-
31,875	-	31,875	-	-
576,559	-	576,559	-	-
185	-	185	-	-
10,329	-	10,329	-	781
48,561	-	48,561	-	-
(8,487)	8,487	-	-	-
15,489,444	8,487	15,497,931	-	781
2,738,529	258,130	2,996,659	(12,017)	8,908
10,575,441	46,126	10,621,567	360,249	510,801
$ 13,313,970	$ 304,256	$ 13,618,226	$ 348,232	$ 519,709

MITCHELL COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

ASSETS	General Fund	2006-2011 Sales Tax Fund	2012-2017 Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,663,356	$ 448,845	$ 1,796,215	$ 397,447	$ 4,305,863
Receivables, net of allowance:					
Taxes	1,884,557	-	227,409	-	2,111,966
Accounts	64,306	-	-	-	64,306
Notes	-	-	-	140,840	140,840
Due from other funds	-	478,673	-	-	478,673
Total assets	$ 3,612,219	$ 927,518	$ 2,023,624	$ 538,287	$ 7,101,648
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 235,316	$ -	$ -	$ -	$ 235,316
Accrued liabilities	109,914	-	-	-	109,914
Due to other funds	478,673	-	-	-	478,673
Due to other governments	-	606,759	-	-	606,759
Total liabilities	823,903	606,759	-	-	1,430,662
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	733,148	-	-	-	733,148
	733,148	-	-	-	733,148
FUND BALANCES					
Nonspendable:					
Long-term receivable	-	-	-	125,387	125,387
Restricted for:					
Judicial	-	-	-	38,642	38,642
Public safety	-	-	-	180,090	180,090
Economic development	-	-	-	51,143	51,143
Capital outlay	-	320,759	2,023,624	-	2,344,383
Committed for:					
Public safety	-	-	-	106,230	106,230
Public assistance	-	-	-	36,795	36,795
Unassigned	2,055,168	-	-	-	2,055,168
Total fund balances	2,055,168	320,759	2,023,624	538,287	4,937,838
Total liabilities, deferred inflows of resources, and fund balances	$ 3,612,219	$ 927,518	$ 2,023,624	$ 538,287	

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.	18,595,298
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	733,148
Net pension asset is not a financial resource and therefore is not reported in governmental funds.	21,785
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.	(10,974,099)
Net position of governmental activities	$ 13,313,970

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

MITCHELL COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	2006-2011 Sales Tax Fund	2012-2017 Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 12,082,308	$ -	$ -	$ -	$ 12,082,308
Sales taxes	30,400	762	2,902,906	-	2,934,068
Franchise taxes	31,875	-	-	-	31,875
Insurance premium taxes	576,559	-	-	-	576,559
Other taxes	185	-	-	-	185
Licenses and permits	22,304	-	-	-	22,304
Intergovernmental	186,583	-	412,689	36,439	635,711
Charges for services	1,530,750	-	-	444,214	1,974,964
Fines and forfeitures	447,810	-	-	46,915	494,725
Interest income	5,365	15,609	5,458	4,964	31,396
Other revenues	99,292	-	-	-	99,292
Total revenues	15,013,431	16,371	3,321,053	532,532	18,883,387
Expenditures					
Current:					
General government	3,406,526	-	-	-	3,406,526
Judicial	1,050,039	-	-	17,124	1,067,163
Public safety	5,365,743	-	-	675,373	6,041,116
Public works	2,115,247	-	-	36,439	2,151,686
Health and welfare	157,917	-	-	-	157,917
Recreation	261,372	-	-	-	261,372
Housing and development	160,311	-	-	-	160,311
Intergovernmental	-	339	365,145	-	365,484
Capital outlay	-	91,928	932,284	-	1,024,212
Debt service:					
Principal	785,828	-	-	-	785,828
Interest	671,080	-	-	-	671,080
Total expenditures	13,974,063	92,267	1,297,429	728,936	16,092,695
Excess (deficiency) of revenues over (under) expenditures	1,039,368	(75,896)	2,023,624	(196,404)	2,790,692
Other financing sources (uses)					
Proceeds from the sale of capital assets	128,095	-	-	-	128,095
Capital leases	228,376	-	-	-	228,376
Transfers in	184,482	-	-	120,097	304,579
Transfers out	(286,066)	-	-	(27,000)	(313,066)
Total other financing sources (uses)	254,887	-	-	93,097	347,984
Net change in fund balances	1,294,255	(75,896)	2,023,624	(103,307)	3,138,676
Fund balances, beginning of year	760,913	396,655	-	641,594	1,799,162
Fund balances, end of year	$ 2,055,168	$ 320,759	$ 2,023,624	$ 538,287	$ 4,937,838

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

MITCHELL COUNTY, GEORGIA

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

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

Net change in fund balances - total governmental funds	$	3,138,676
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 outlays in the current period.		(688,001)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		(79,534)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(185,954)
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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		557,452
Under the modified accrual basis of accounting used in governmental funds, expenditures for landfill postclosure care cost are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, which is presented on the accrual basis, landfill postclosure expenses and liabilities are reported when incurred.		(57,316)
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.		53,206
Change in net position - governmental activities	$	2,738,529

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

MITCHELL COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property taxes	$ 10,865,000	$ 10,865,000	$ 12,082,308	$ 1,217,308
Sales taxes	30,000	30,000	30,400	400
Franchise taxes	25,500	25,500	31,875	6,375
Insurance premium taxes	618,000	618,000	576,559	(41,441)
Other taxes	-	-	185	185
Licenses and permits	22,500	22,500	22,304	(196)
Intergovernmental	627,000	627,000	186,583	(440,417)
Charges for services	2,188,500	2,188,500	1,530,750	(657,750)
Fines and forfeitures	532,000	532,000	447,810	(84,190)
Interest revenue	-	-	5,365	5,365
Other revenues	52,241	52,241	99,292	47,051
Total revenues	14,960,741	14,960,741	15,013,431	52,690
Expenditures:				
Current:				
General government:				
Board of registrars	15,628	15,628	17,372	(1,744)
Commissioners office	314,299	314,299	347,464	(33,165)
General government	2,433,015	2,433,015	1,929,409	503,606
Tax commissioner	222,490	222,490	207,810	14,680
Tax assessor	286,719	286,719	268,259	18,460
Courthouse/public buildings	79,952	79,952	61,397	18,555
Other services	579,340	579,340	574,815	4,525
Total general government	3,931,443	3,931,443	3,406,526	524,917
Judicial:				
Superior court	111,860	111,860	100,772	11,088
Clerk of Superior court	267,684	267,684	243,019	24,665
State court	149,968	149,968	151,745	(1,777)
Magistrate court	170,828	170,828	171,449	(621)
Probate court	182,069	182,069	182,725	(656)
Juvenile court	37,125	37,125	36,871	254
Victims assistance	-	-	11,462	(11,462)
Indigent defense	153,574	153,574	151,996	1,578
Total judicial	1,073,108	1,073,108	1,050,039	23,069
Public safety:				
Sheriff	2,533,237	2,533,237	2,575,579	(42,342)
Corrections	1,614,847	1,614,847	1,404,029	210,818
Probation/community service	135,150	135,150	134,182	968
Volunteer fire association	225,000	225,000	237,318	(12,318)
Emergency medical services	1,371,897	1,371,897	859,385	512,512
Coroner	36,000	36,000	33,161	2,839
Animal control	66,350	66,350	59,033	7,317
Emergency management agency	74,878	74,878	63,056	11,822
Total public safety	6,057,359	6,057,359	5,365,743	691,616
Public works:				
Public works	1,755,146	1,755,146	1,615,392	139,754
Landfill	458,349	458,349	499,855	(41,506)
Total public works	2,213,495	2,213,495	2,115,247	98,248

(Continued)

MITCHELL COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance
	Original	Final	Actual	with Final Budget
Expenditures: (Continued)				
Current:				
Health and welfare:				
Health centers	$ 143,000	$ 143,000	$ 152,877	$ (9,877)
Public welfare	10,000	10,000	5,040	4,960
Total health and welfare	153,000	153,000	157,917	(4,917)
Recreation	312,350	312,350	261,372	50,978
Housing and development:				
NRCS - conservation office	-	-	169	(169)
Extension service	75,418	75,418	68,809	6,609
Development authority	85,013	85,013	91,333	(6,320)
Total housing and development	160,431	160,431	160,311	120
Debt service:				
Principal	1,176,000	1,176,000	785,828	390,172
Interest	211,500	211,500	671,080	(459,580)
Total debt service	1,387,500	1,387,500	1,456,908	(69,408)
Total expenditures	15,288,686	15,288,686	13,974,063	1,314,623
Excess (deficiency) of revenues over (under) expenditures	(327,945)	(327,945)	1,039,368	1,367,313
Other financing sources (uses)				
Proceeds from sale of capital assets	10,000	10,000	128,095	118,095
Capital leases	-	-	228,376	228,376
Transfers in	419,430	419,430	184,482	(234,948)
Transfers out	(101,485)	(101,485)	(286,066)	(184,581)
Total other financing sources (uses)	327,945	327,945	254,887	(73,058)
Net change in fund balances	-	-	1,294,255	1,294,255
Fund balances, beginning of year	760,913	760,913	760,913	-
Fund balances, end of year	$ 760,913	$ 760,913	$ 2,055,168	$ 1,294,255

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

MITCHELL COUNTY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Water and Sewer System	Self-Insurance Health Benefit Fund	Totals
ASSETS			
CURRENT ASSETS			
Accounts receivable	$ 34,633	$ -	$ 34,633
Total current assets	34,633	-	34,633
NONCURRENT ASSETS			
Capital assets:			
Nondepreciable	81,920	-	81,920
Depreciable, net of accumulated depreciation	616,987	-	616,987
Total noncurrent assets	698,907	-	698,907
Total assets	733,540	-	733,540
LIABILITIES			
CURRENT LIABILITIES			
Outstanding checks in excess of bank balance	-	9,592	9,592
Claims payable	-	234,785	234,785
Accrued liabilities	655	-	655
Current portion - notes payable	26,363	-	26,363
Current portion - compensated absences	4,021	-	4,021
Total current liabilities	31,039	244,377	275,416
NONCURRENT LIABILITIES			
Notes payable, net of current portion	152,863	-	152,863
Compensated absences, net of current portion	1,005	-	1,005
Total noncurrent liabilities	153,868	-	153,868
Total liabilities	184,907	244,377	429,284
NET POSITION (DEFICIT)			
Net investment in capital assets	519,681	-	519,681
Unrestricted (deficit)	28,952	(244,377)	(215,425)
Total net position (deficit)	$ 548,633	$ (244,377)	$ 304,256

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

MITCHELL COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2012

	Water and Sewer System	Self-Insurance Health Benefit Fund	Totals
OPERATING REVENUES			
Charges for services	$ 382,312	$ 1,785,177	$ 2,167,489
Total operating revenues	382,312	1,785,177	2,167,489
OPERATING EXPENSES			
Personal services	81,926	-	81,926
Cost of sales and services	48,144	-	48,144
Supplies	59,043	-	59,043
Claims	-	1,657,344	1,657,344
Depreciation	63,141	-	63,141
Total operating expenses	252,254	1,657,344	1,909,598
Operating income	130,058	127,833	257,891
NONOPERATING EXPENSES			
Interest expense	(8,248)	-	(8,248)
Total nonoperating expenses	(8,248)	-	(8,248)
Income before transfers	121,810	127,833	249,643
TRANSFERS			
Transfers in	-	165,969	165,969
Transfers out	(157,482)	-	(157,482)
Total transfers	(157,482)	165,969	8,487
Change in net position	(35,672)	293,802	258,130
NET POSITION (DEFICIT), beginning of year	584,305	(538,179)	46,126
NET POSITION (DEFICIT), end of year	$ 548,633	$ (244,377)	$ 304,256

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

MITCHELL COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water and Sewer System	Self-Insurance Health Benefit Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 380,003	$ 1,785,177	$ 2,165,180
Payments to suppliers	(107,187)	(1,849,040)	(1,956,227)
Payments to employees	(81,636)	-	(81,636)
Net cash provided by (used in) operating activities	191,180	(63,863)	127,317
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	165,969	165,969
Transfers out	(157,482)	-	(157,482)
Net cash provided by (used in) noncapital financing activities	(157,482)	165,969	8,487
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on notes payable	(25,358)	-	(25,358)
Interest paid	(8,340)	-	(8,340)
Net cash used in capital and related financing activities	(33,698)	-	(33,698)
Increase in cash and cash equivalents	-	102,106	102,106
Cash and cash equivalents:			
Beginning of year	-	(111,698)	(111,698)
End of year	$ -	$ (9,592)	$ (9,592)
Classified as:			
Outstanding checks in excess of bank balance	$ -	$ (9,592)	$ (9,592)
	$ -	$ (9,592)	$ (9,592)
Reconciliation of operating loss to net cash provided by (used in) operating activities			
Operating income	$ 130,058	$ 127,833	$ 257,891
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation	63,141	-	63,141
Changes in assets and liabilities:			
Increase in accounts receivable	(2,309)	-	(2,309)
Decrease in claims payable	-	(191,696)	(191,696)
Increase in compensated absences	290	-	290
Net cash provided by (used in) operating activities	$ 191,180	$ (63,863)	$ 127,317

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

MITCHELL COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012

		Agency Funds
ASSETS		
Cash and cash equivalents	$	240,565
Taxes receivable		1,363,739
Total assets	$	1,604,304
LIABILITIES		
Due to others	$	240,565
Uncollected taxes		1,363,739
Total liabilities	$	1,604,304

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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

Mitchell County, Georgia, (the “County”) operates under a County Commissioner-Administrator form of government and provides the following services to the citizens of Mitchell County: public safety (police and fire), public works, recreation, judicial services, health and welfare services, housing and development, 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 the County (the primary government) and its component units. The component units discussed below are included in the County’s reporting entity because of the significance of their operational and financial relationships with the County. In conformity with accounting principles generally accepted in the United States of America, as set forth in Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity"; the component units’ financial statements are discretely presented in the government-wide financial statements.

The **Mitchell County Board of Health** (the “Health Department”) provides health services to the citizens of the County. The Health Department is a legally separate entity. The County Commissioners appoints a voting majority of the Health Department. The County has the ability to impose its will on the Health Department in accordance with the Official Code of Georgia (O.C.G.A.) Section 31-3-14. The fiscal year end of the component unit is June 30. Complete financial statement of the Mitchell County Health Department may be obtained from its administrative office at 88 W. Oakland Ave., Camilla, Georgia 31730.

The **Mitchell County Development Authority** (the “Development Authority”) is responsible for promoting industrial and commercial development within Mitchell County. The Development Authority is responsible for adopting its own annual budget and making its own operating decisions. A majority of the members of the governing board of the Development Authority are appointed by the County Commission. Separate financial statements for the Development Authority were not prepared.

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 units. 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 is 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. Agency funds are custodial in nature and do not present results of operations or have a 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes, sales taxes, franchise taxes, licenses, investment income, Federal and state grants 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 ***2006-2011 Sales Tax Fund*** accounts for the proceeds of a 1% Special Purpose Local Option Sales Tax. Funds are used for: road and drainage projects; emergency medical projects; courthouse projects; Flint River Auditorium project; debt service; and various City projects within Mitchell County.

The ***2012-2017 Sales Tax Fund*** accounts for the proceeds of a 1% Special Purpose Local Option Sales Tax. Funds are used for: road and drainage projects; public safety projects; economic development projects; and various City projects within Mitchell County.

The County reports the following major business-type funds:

The ***Water and Sewer System*** is an enterprise fund used to account for the provision of water services to the citizens of Mitchell County. Activities of the fund include water administration, operations, billing and collections.

The ***Self-Insurance Health Benefit Fund*** is used to account for the self-insured health benefit plan provided for the employees of the County.

Additionally, the County reports the following fund types:

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 *nonoperating* 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 revenues of the enterprise funds are charges to customers for sales and services provided. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash and Investments

The County and discretely presented component units' 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.

E. Short-Term Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). 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." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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 $5,000 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. 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 assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets is included as part of the capitalized value of the assets constructed. No interest expense was capitalized during the year ending December 31, 2012.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Primary Government	
Buildings and improvements	20 years
Infrastructure	50 years
Vehicles and equipment	5 - 10 years
Mitchell County Health Department	
Machinery and equipment	5 - 7 years
Mitchell County Development Authority	
Buildings and improvements	20 years
Furniture and equipment	5 years

G. 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The County's policy is to permit employees to accumulate earned but unused vacation as follows: 240 hours for all departments except, 252 hours for Sheriff's department, 300 hours for the Correctional Institute, and 450 hours for Ambulance service employees. All compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for nonvesting accumulation rights to receive sick pay benefits.

I. Deferred Outflows / Inflows 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 January 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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of revenues, expenditures and changes in fund balance 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 one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and other receivables, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

J. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Equity (Continued)

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

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

- ***Committed*** **-** Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the County Commission through the adoption of a resolution. Only the County Commission 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 County Commission has authorized the County Administrator to assign fund balances.

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

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:

- Committed
- Assigned
- Unassigned

***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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Management 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 disclosure 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 a 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 $10,974,099 difference are as follows:

Accrued interest payable	$	50,115
Capital lease payable		442,068
Notes payable		37,838
Bonds payable		7,515,000
Compensated absences		142,446
Closure and postclosure care costs		2,786,632
Net adjustment to reduce *fund balance - total governmental* to arrive at *net position - governmental activities*	$	10,974,099

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 a 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 useful lives and reported as depreciation expense." The details of this $688,001 difference are as follows:

Capital outlay	$	313,822
Depreciation expense		(1,001,823)
Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities*	$	(688,001)

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

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

Another element of that reconciliation states that "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." The details of this $557,452 difference are as follows:

Capital lease financing	$	(228,376)
Principal payments - capital lease		157,584
Principal payments - notes payable		58,244
Principal payments - bonds payable		570,000
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	557,452

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $53,206 difference are as follows:

Compensated absences	$	49,106
Accrued interest		4,218
Net pension asset		(118)
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities*	$	53,206

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

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

1. Prior to year end, the County Administrator submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at the County Courthouse to obtain taxpayer comments.

3. Prior to January 1, the budget is legally enacted through approval by the Board of Commissioners.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

4. The Board of Commissioners has the authority to amend the budget. An increase in appropriation in any fund for a department, whether accomplished through a change in anticipated revenues in any fund or through a transfer of appropriations among departments, shall require the approval of the Board of Commissioners. Transfers of appropriations in any fund among the various accounts within a department shall require only the approval of the budget officer.

5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund, Jail Fund, and E-911 Fund. Budgets were not adopted for the Drug Abuse and Treatment Education Fund, Law Library Fund, Jail Commissary Fund, Tornado Relief Fund, or the Revolving Loan Fund. Project-length budgets are adopted for capital projects funds.

6. The budget for the General Fund and the 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.

Budgeted amounts are as originally adopted on January 1, 2012 or as amended by the Board of Commissioners. Individual amendments were not material in relation to the original appropriations.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to assign or commit that portion of the applicable appropriation, is not utilized by the County.

C. Excess Expenditures Over Appropriations

For the year ended December 31, 2012, the following departments had excess of actual expenditures over appropriations, which were funded by available fund balance of the General Fund:

Department	Excess
General Fund:	
Board of registrars	$ 1,744
Commissioners office	33,165
State court	1,777
Magistrate court	621
Probate court	656
Victims assistance	11,462
Sheriff	42,342
Volunteer fire association	12,318
Landfill	41,506
Health centers	9,877
NRCS - conservation office	169
Development authority	6,320
Debt service	69,408

NOTE 4. CASH AND INVESTMENTS

Credit risk. State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At December 31, 2012, the Mitchell County Development Authority, a component unit of the County, had the following investment:

Investments	Maturities	Fair Value
Mitchell County Development Authority		
Certificates of deposit	363 days	$ 243,213

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.

Custodial credit risk – deposits. The County does not have a formal custodial credit risk policy. 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 December 31, 2012, the County, the Development Authority, nor the Board of Health had any deposits exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 5. RECEIVABLES

Receivables consisted of the following at December 31, 2012:

	General	2012-2017 Sales Tax Fund	Other Governmental Funds	Water and Sewer System	Total
Receivables:					
Taxes	$ 1,903,007	$ 227,409	$ -	$ -	$ 2,130,416
Accounts	2,784,784	-	-	34,633	2,819,417
Notes	-	-	140,840	-	140,840
Gross receivables	4,687,791	227,409	140,840	34,633	5,090,673
Less allowance for uncollectibles	(2,738,928)	-	-	-	(2,738,928)
Net total receivable	$ 1,948,863	$ 227,409	$ 140,840	$ 34,633	$ 2,351,745

NOTE 5. RECEIVABLES

Property taxes attached as an enforceable lien on property as of January 1, 2012. Property taxes were levied on September 25, 2012, and payable on or before January 12, 2013. The County bills and collects its own property taxes. Property taxes levied for 2012 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended December 31, 2012, and collected by February 28, 2013, are recognized as revenues in the year ended December 31, 2012. Net receivables estimated to be collected subsequent to February 28, 2013, are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

NOTE 6. CAPITAL ASSETS

A. Primary Government

The County's capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and land improvements	$ 3,008,045	$ -	$ -	$ 3,008,045
Total capital assets, not being depreciated	3,008,045	-	-	3,008,045
Capital assets, being depreciated:				
Buildings	10,455,791	-	-	10,455,791
Infrastructure	16,864,176	-	-	16,864,176
Vehicles and equipment	11,668,978	313,822	(176,742)	11,806,058
Total capital assets, being depreciated	38,988,945	313,822	(176,742)	39,126,025
Less accumulated depreciation for:				
Buildings	(5,192,973)	(257,625)	-	(5,450,598)
Infrastructure	(7,111,168)	(324,305)	-	(7,435,473)
Vehicles and equipment	(10,330,016)	(419,893)	97,208	(10,652,701)
Total accumulated depreciation	(22,634,157)	(1,001,823)	97,208	(23,538,772)
Total capital assets, being depreciated, net	16,354,788	(688,001)	(79,534)	15,587,253
Governmental activities capital assets, net	$ 19,362,833	$ (688,001)	$ (79,534)	$ 18,595,298

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 81,920	$ -	$ -	$ 81,920
Total capital assets, not being depreciated	81,920	-	-	81,920
Capital assets, being depreciated:				
Building and improvements	1,522,823	-	-	1,522,823
Infrastructure	721,301	-	-	721,301
Vehicles and equipment	29,983	-	-	29,983
Total	2,274,107	-	-	2,274,107
Less accumulated depreciation for:				
Building and improvements	(1,080,138)	(38,041)	-	(1,118,179)
Infrastructure	(486,299)	(23,892)	-	(510,191)
Vehicles and equipment	(27,542)	(1,208)	-	(28,750)
Total	(1,593,979)	(63,141)	-	(1,657,120)
Total capital assets, being depreciated, net	680,128	(63,141)	-	616,987
Business-type activities capital assets, net	$ 762,048	$ (63,141)	$ -	$ 698,907

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

Governmental activities:	
General government	$ 12,296
Judicial	9,168
Public safety	452,968
Public works	510,970
Recreation	3,451
Housing and development	12,970
Total depreciation expense - governmental activities	$ 1,001,823
Business-type activities:	
Water and Sewer System Fund	$ 63,141
Total depreciation expense - business-type activities	$ 63,141

NOTE 6. CAPITAL ASSETS (CONTINUED)

B. Discretely Presented Component Unit – Mitchell County Board of Health

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, being depreciated:				
Machinery and equipment	$ 17,861	$ -	$ -	$ 17,861
Total	17,861	-	-	17,861
Less accumulated depreciation for:				
Machinery and equipment	(13,197)	(3,473)	-	(16,670)
Total	(13,197)	(3,473)	-	(16,670)
Total capital assets, being depreciated, net	4,664	(3,473)	-	1,191
Board of Health capital assets, net	$ 4,664	$ (3,473)	$ -	$ 1,191

C. Discretely Presented Component Unit – Mitchell County Development Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 50,024	$ -	$ -	$ 50,024
Total	50,024	-	-	50,024
Capital assets, being depreciated:				
Buildings and improvements	123,750	-	-	123,750
Furniture and equipment	12,878	-	-	12,878
Total	136,628	-	-	136,628
Less accumulated depreciation for:				
Buildings and improvements	(30,593)	(4,125)	-	(34,718)
Furniture and equipment	(7,439)	(2,136)	-	(9,575)
Total	(38,032)	(6,261)	-	(44,293)
Total capital assets, being depreciated, net	98,596	(6,261)	-	92,335
Development Authority capital assets, net	$ 148,620	$ (6,261)	$ -	$ 142,359

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended December 31, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	$ 96,082	$ -	$ 58,244	$ 37,838	$ 23,648
Capital leases payable	371,276	228,376	157,584	442,068	203,305
Bonds payable	8,085,000	-	570,000	7,515,000	615,000
Compensated absences	191,552	140,116	189,222	142,446	113,957
Closure and postclosure care costs	2,729,316	57,316	-	2,786,632	-
Governmental activities long-term liabilities	$ 11,473,226	$ 425,808	$ 975,050	$ 10,923,984	$ 955,910
Business-type activities:					
Notes payable	$ 204,584	$ -	$ 25,358	$ 179,226	$ 26,363
Compensated absences	4,736	3,055	2,765	5,026	4,021
Business-type activities long-term liabilities	$ 209,320	$ 3,055	$ 28,123	$ 184,252	$ 30,384
Component unit - Mitchell County Board of Health:					
Compensated absences	$ 27,844	$ -	$ 1,597	$ 26,247	$ 2,625
Mitchell County Board of Health long-term liabilities	$ 27,844	$ -	$ 1,597	$ 26,247	$ 2,625
Component unit - Mitchell County Development Authority:					
Notes payable	$ 15,562	$ -	$ 10,855	$ 4,707	$ 4,707
Mitchell County Development Authority long-term liabilities	$ 15,562	$ -	$ 10,855	$ 4,707	$ 4,707

For governmental activities, compensated absences are generally liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Water and Sewer System Fund.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes Payable. The County has incurred debt to various financial institutions for the purchase of equipment. These notes are as follows at December 31, 2012:

Purpose	Original Amount	Interest Rate	Due Date	Balance at December 31, 2012
Equipment	$ 163,480	3.95%	2014	$ 37,838
				37,838
			Less current maturities	(23,648)
				$ 14,190

The notes payable debt service requirements to maturity, including interest are as follows:

Fiscal Year Payable	Total	Principal	Interest
2013	$ 25,843	$ 23,648	$ 2,195
2014	15,133	14,190	943
	$ 40,976	$ 37,838	$ 3,138

The County has also incurred debt to a financial institution for additions to the water system. This note is as follows at December 31, 2012:

Purpose	Original Amount	Interest Rate	Due Date	Balance at December 31, 2012
Water system additions	$ 226,923	4.24%	2019	$ 179,226
				179,226
			Less current maturities	(26,363)
				$ 152,863

The note payable debt service requirements to maturity, including interest is as follows:

Fiscal Year Payable	Total	Principal	Interest
2013	$ 33,557	$ 26,363	$ 7,194
2014	33,557	27,519	6,038
2015	33,557	28,726	4,831
2016	33,557	29,974	3,583
2017	33,557	31,300	2,257
2018 and 2019	36,355	35,344	1,011
	$ 204,140	$ 179,226	$ 24,914

NOTE 7. LONG-TERM DEBT (CONTINUED)

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 terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inceptions. The following is an analysis of leased assets under capital leases as of December 31, 2012:

	Governmental Activities
Equipment	$ 2,156,893
Less: Accumulated depreciation	(1,300,451)
	$ 856,442

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of December 31, 2012:

	Governmental Activities
Year ending December 31,	
2013	$ 211,307
2014	56,261
2015	21,862
2016	21,862
2017	153,454
Total minimum lease payments	464,746
Less amount representing interest	(22,678)
Present value of future minimum lease payments	$ 442,068

Landfill Closure and Postclosure Care Cost. Mitchell County, Georgia has closed its landfill and placed a final cover on the landfill in accordance with state and federal laws regulations. In addition, state and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for 30 years after closure. These maintenance and monitoring functions are estimated at $70,200 per year.

Although the postclosure care costs will be paid when the services are performed, the County reports a liability of $2,786,632 at December 31, 2012. This amount represents the cumulative amount of landfill postclosure cost based on 100 percent of the capacity of the landfill. The County has no assets restricted for payment of postclosure care cost. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds. During the year ended December 31, 2006, the County entered into an agreement with the Mitchell County Development Authority, a component unit, for the issuance of bonds in the amount of $10,000,000 to First United Ethanol, LLC (FUEL). Under the agreement, the Mitchell County Development Authority is authorized to issue revenue bonds bearing rates of interest and maturities determined by the Mitchell County Development Authority to finance projects consistent with the powers and purposes of the agreement. Such bonds, thus issued, shall be paid first from the income of the Mitchell County Development Authority. In the event such income is not sufficient to pay the principal and interest of such bonds, as they mature, then the Commissioners of the County are authorized and required to provide the additional funds necessary to make such payment, and for this purpose the Commissioners are authorized to levy an annual tax on all taxable property within the County, provided such tax shall not exceed five (5) mills. During the year ended December 31, 2010, FUEL, the original borrower of the bonds, entered into bankruptcy proceedings and the bonds became the responsibility of the County pursuant to the contract between the County and the Mitchell County Development Authority. The County recorded the bond issuance revenue and off-setting economic development expenditures of $9,250,000 in the General Fund to report the debt at the Fund level. The bonds are accruing interest at 7.75% and payments began on December 1, 2010.

Revenue bonds debt service requirements to maturity are as follows as of December 31, 2012:

	Principal	Interest	Total
Year ending December 31,			
2013	$ 615,000	$ 593,697	$ 1,208,697
2014	660,000	545,111	1,205,111
2015	710,000	492,970	1,202,970
2016	765,000	436,879	1,201,879
2017	820,000	376,442	1,196,442
2018-2021	3,945,000	807,396	4,752,396
	$ 7,515,000	$ 3,252,495	$ 10,767,495

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes payable – Mitchell County Development Authority

The Development Authority has incurred debt to Georgia Cities Foundation, Inc. for the purchase of a building. This note is as follows at December 31, 2012:

Purpose	Original Amount	Interest Rate	Due Date	Balance at December 31, 2012
Building	$ 54,050	3.00%	2013	$ 4,707

The Development Authority's notes payable debt service requirements to maturity, including interest are as follows:

	Total	Principal	Interest
Year ending December 31,			
2013	$ 4,788	$ 4,707	$ 81

NOTE 8. SHORT-TERM DEBT – REVOLVING LINE OF CREDIT

The County used a revolving line of credit to finance a variety of public projects, including financing general operations during periods of uneven property and sales tax collections. The County's General Fund short-term debt activity for the year-end December 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Line of Credit	$ 350,150	$ 5,935,000	$ 6,285,150	$ -

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2012, is as follows:

Due to/from:

Receivable Fund	Payable Fund	Amount
2006 - 2011 Sales Tax Fund	General Fund	$ 478,673

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.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers:

	Transfer From			
Transfer To	General Fund	Water and Sewer System Fund	Nonmajor Governmental Funds	Total
General Fund	$ -	$ 157,482	$ 27,000	$ 184,482
Nonmajor Governmental Funds	120,097	-	-	120,097
Self-Insurance Health Benefit Fund	165,969	-	-	165,969
Total	$ 286,066	$ 157,482	$ 27,000	$ 470,548

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) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10. RETIREMENT PLANS

A. Defined Contribution Plan

Mitchell County maintains a defined contribution pension plan, the Mitchell County Retirement Savings Plan (“the Savings Plan"), which was established by Mitchell County on January 1, 1998 to provide reasonable retirement security for its employees. The plan is administered by Nationwide Retirement Solutions. At December 31, 2012, there were 22 active participants. The County does not make any contributions to the plan. Plan participants can contribute up to 25% of their compensation. Plan provisions and contribution requirements are established by and may be amended by the Mitchell County Board of Commissioners. For the year ended December 31, 2012, County employees contributed $50,524.

NOTE 10. RETIREMENT PLANS (CONTINUED)

B. Defined Benefit Plan

Plan Description

The County sponsors the Association County Commissioners of Georgia Restated Pension Plan for Mitchell County Employees (The Plan), which is a defined benefit pension plan. All full-time employees are eligible to participate in the County's noncontributory defined benefit pension plan after completion of three years of service.

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan, through execution of the adoption agreement, is affiliated with the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of the ACCG Plan, as provided in Section 19.03 of the ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan, as provided in Section 19.02 of the ACCG Plan document. Complete financial statements for the Association County Commissioners of Georgia (ACCG) Defined Benefit Pension Plan can be obtained from GEBCorp, 1100 Circle 75 Parkway, Suite 300, Atlanta, Georgia 30339.

Participant Data

At January 1, 2012, the date of the most recent actuarial valuation, there were 249 participants as follows:

Active participants	124
Retirees and beneficiaries	36
Vested terminated	89
	249

Funding Policy

The County is required to contribute an actuarially determined amount annually to The Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by the ACCG Plan trustees and intended to satisfy the minimum contribution requirements as set forth in the State of Georgia statutes. Plan participants do not contribute to the plan.

NOTE 10. RETIREMENT PLANS (CONTINUED)

B. Defined Benefit Plan (Continued)

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for the pension plan for the current year is as follows:

		2012
Derivation of Annual Pension Cost		
Annual Required Contribution	$	321,575
Interest on Net Pension Obligation		(1,698)
Amortization of Net Pension Obligation		1,816
Annual Pension Cost	$	321,693
Derivation of Net Pension Asset		
Annual Pension Cost for Calender Year 2012	$	321,693
Actual Contributions to Plan for Calendar Year 2012		321,575
Decrease in Net Pension Asset		118
Net Pension Asset as of December 31, 2011		21,903
Net Pension Asset as of December 31, 2012	$	21,785

Basis of Valuation

Current valuation date	January 1, 2012
Annual return on invested Plan assets	7.75%
Projected annual salary increases	4.0%-6.5% based on age
Expected annual inflation	3.0%
Actuarial value of assets	Market Value
Actuarial funding method	Projected Unit Credit
Amortization method	Level Percent of Pay (Closed)
Remaining amortization period	10 years

Trend Information for The Plan

Fiscal Year Beginning		Annual Pension Cost (APC)		Actual County Contribution	Percentage of APC Contributed			Net Pension Obligation (Asset) - Beginning of Year
1/1/2012	$	321,693	$	321,575	100.0	%	$	(21,785)
1/1/2011		265,918		265,799	100.0			(21,903)
1/1/2010		266,948		266,828	100.0			(22,022)

NOTE 10. RETIREMENT PLANS (CONTINUED)

B. Defined Benefit Plan (Continued)

Basis of Valuation (Continued)

As of the most recent valuation date, January 1, 2012 the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Proiected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
12/31/11	$ 4,687,878	$ 5,315,413	$ 627,535	88.2 %	$ 4,292,268	14.6 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2012.

NOTE 11. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in the Association of County Commissioners of Georgia (ACCG) Group Self-Insurance Workers' Compensation Fund and the Interlocal Risk Management Agency Property and Liability Insurance 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.

NOTE 11. RISK MANAGEMENT (CONTINUED)

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.

Settled claims in the past three years have not exceeded the coverages.

The County maintains a self-insured medical benefit plan for their employees. The plan is accounted for as an internal service fund of the County, is funded according to plan experience, and serves to reduce overall healthcare costs of the County employees. The County purchases specific and aggregate stop loss insurance coverage to protect itself in unusual circumstances. Claims payable at December 31, 2012 were estimated based on the loss analysis report provided by a third-party administrator and pending specific stop loss reimbursements.

Changes in medical claims payable for the year ended December 31 is as follows:

	2012	2011
Unpaid claims, beginning of fiscal year	**$ 426,481**	$ 173,094
Incurred claims and changes in estimates	**1,657,344**	1,843,221
Claim payments	**(1,849,040)**	(1,589,834)
Unpaid claims, end of fiscal year	**$ 234,785**	$ 426,481

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation

The County is involved in a number of legal matters, which either have or could result in litigation. The nature of the lawsuits varies considerably. 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.

Grant Contingencies

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.

NOTE 13. JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the fourteen-county Georgia region, is a member of the Southwest Georgia Regional Commission (SGRC) and is required to pay annual dues thereto. During the year ended December 31, 2012, the County paid $14,240 in such dues. Membership in a Regional Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC's in Georgia. The SGRC 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 an RC. Separate financial statements may be obtained from the Southwest Georgia Regional Commission, 30 West Broad Street, Camilla, Georgia 31730.

NOTE 14. DEFICIT NET POSITION

The Self-Insurance Health Benefit Fund reported deficit net position of $244,377 at December 31, 2012. The Self-Insurance Health Benefit Fund deficit is intended to be eliminated through increased user charges and transfers from the General Fund.

MITCHELL COUNTY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
12/31/11	$ 4,687,878	$ 5,315,413	$ 627,535	88.2 %	$ 4,292,268	14.6 %
12/31/10	4,359,111	4,661,479	302,368	93.5	4,118,930	7.3
12/31/09	4,062,554	4,328,005	265,451	93.9	3,853,200	6.9
12/31/08	3,693,504	4,338,238	644,734	85.1	3,979,700	16.2
12/31/07	3,572,836	3,976,107	403,271	89.9	4,085,132	9.9
12/31/06	3,145,851	3,519,084	373,233	89.4	3,856,329	9.7
12/31/05	2,747,328	3,275,971	528,643	83.9	3,418,022	15.5
12/31/04	2,368,637	2,867,798	499,161	82.6	3,064,411	16.3

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Drug Abuse and Treatment Education Fund is used to account for the collection of additional penalties for certain drug related crimes, donations related to drug education, and for expenditure of those funds solely and exclusively restricted for drug abuse treatment and education programs relating to controlled substances and marijuana. (OCGA 15-21-100).

Jail Fund is used to account for revenues collected by the imposition of a 10% add-on fine as provided for by the Georgia Jail Construction and Staffing Act.

Law Library Fund is used to account for the resources received from the various courts of Mitchell County and disbursements for the support of a centralized law library.

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

E-911 System Fund is used to account for the County's emergency communications operations by providing an open channel between citizens and public safety providers.

Confiscated Assets Fund is used to account for activities related to drug raids.

Tornado Relief Fund is used to account for the County's activities related to grants received and relief provided for the 2009 tornado.

CDBG Fund is used to account for the County's grant activity provided for various street and drainage projects.

Revolving Loan Fund is a special revenue fund used to account for the operations of the County's revolving loans. Original funding was provided by the Department of Housing and Urban Development through the State of Georgia Department of Community Affairs.

MITCHELL COUNTY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue Funds			
ASSETS	**Drug Abuse and Treatment Education Fund**	**Jail Fund**	**Law Library Fund**	**Jail Commissary Fund**
Cash and cash equivalents	$ 44,976	$ 6,437	$ 38,642	$ 106,230
Notes receivable	-	-	-	-
Total assets	$ 44,976	$ 6,437	$ 38,642	$ 106,230
FUND BALANCES				
Nonspendable:				
Long-term receivable	$ -	$ -	$ -	$ -
Restricted for:				
Judicial	-	-	38,642	-
Public safety	44,976	6,437	-	-
Economic development	-	-	-	-
Committed for:				
Public safety	-	-	-	106,230
Public assistance	-	-	-	-
Total fund balances	44,976	6,437	38,642	106,230
Total liabilities and fund balances	$ 44,976	$ 6,437	$ 38,642	$ 106,230

E-911 Fund	Confiscated Assets Fund	Tornado Relief Fund	CDBG Fund	Revolving Loan Fund	Totals
$ -	$ 128,677	$ 36,795	$ -	$ 35,690	$ 397,447
-	-	-	-	140,840	140,840
$ -	$ 128,677	$ 36,795	$ -	$ 176,530	$ 538,287
$ -	$ -	$ -	$ -	$ 125,387	$ 125,387
-	-	-	-	-	38,642
-	128,677	-	-	-	180,090
-	-	-	-	51,143	51,143
-	-	-	-	-	106,230
-	-	36,795	-	-	36,795
-	128,677	36,795	-	176,530	538,287
$ -	$ 128,677	$ 36,795	$ -	$ 176,530	$ 538,287

MITCHELL COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds			
	Drug Abuse and Treatment Education Fund	Jail Fund	Law Library Fund	Jail Commissary Fund
Revenues:				
Intergovernmental	$ -	$ -	$ -	$ -
Charges for services	-	-	-	127,475
Fines and forfeitures	14,731	26,214	5,970	-
Interest revenue	-	12	89	-
Total revenues	14,731	26,226	6,059	127,475
Expenditures:				
Current:				
Judicial	-	-	17,124	-
Public safety	7,300	-	-	150,602
Public works	-	-	-	-
Total expenditures	7,300	-	17,124	150,602
Excess (deficiency) of revenues over (under) expenditures	7,431	26,226	(11,065)	(23,127)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(27,000)	-	-
Total other financing sources (uses)	-	(27,000)	-	-
Net change in fund balances	7,431	(774)	(11,065)	(23,127)
Fund balances, beginning of year	37,545	7,211	49,707	129,357
Fund balances, end of year	$ 44,976	$ 6,437	$ 38,642	$ 106,230

E-911 Fund	Confiscated Assets Fund	Tornado Relief Fund	CDBG Fund	Revolving Loan Fund	Totals
$ -	$ -	$ -	$ 36,439	$ -	$ 36,439
316,739	-	-	-	-	444,214
-	-	-	-	-	46,915
-	380	1	-	4,482	4,964
316,739	380	1	36,439	4,482	532,532
-	-	-	-	-	17,124
436,836	80,635	-	-	-	675,373
-	-	-	36,439	-	36,439
436,836	80,635	-	36,439	-	728,936
(120,097)	(80,255)	1	-	4,482	(196,404)
120,097	-	-	-	-	120,097
-	-	-	-	-	(27,000)
120,097	-	-	-	-	93,097
-	(80,255)	1	-	4,482	(103,307)
-	208,932	36,794	-	172,048	641,594
$ -	$ 128,677	$ 36,795	$ -	$ 176,530	$ 538,287

MITCHELL COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE YEAR ENDED DECEMBER 31, 2012

Project Description	Original and Current Estimated Costs	Expenditures Prior Years	Expenditures Current Year	Expenditures Total
2006 REFERENDUM				
Road, Street and Bridge Construction or Improvement	$ 3,522,333	$ 6,398,971	$ -	$ 6,398,971
Ambulance Purchase	120,000	97,135	-	97,135
Courthouse Improvements	125,000	130,526	-	130,526
Fire Department Projects	2,500,000	1,744,418	22,142	1,766,560
Flint River Auditorium Project	100,000	30,215	69,786	100,001
City of Pelham Projects	1,919,520	2,158,456	127	2,158,583
City of Sale City Projects	120,000	136,392	8	136,400
City of Camilla Projects	2,672,171	3,024,686	177	3,024,863
City of Baconton Projects	383,349	347,062	25	347,087
City of Meigs Projects	11,025	12,531	2	12,533
Totals	$ 11,473,398	$ 14,080,392	$ 92,267	$ 14,172,659
2012 REFERENDUM				
Road, Street and Bridge Construction or Improvement	$ 7,187,766	$ -	$ 355,233	$ 355,233
Ambulance Purchase	900,000	-	-	-
Narrow-Banding Projects	245,000	-	161,847	161,847
Desota Trail Library Project	47,222	-	-	-
Hand Trading Company Project	105,000	-	2,515	2,515
City of Pelham Projects	2,406,357	-	212,013	212,013
City of Sale City Projects	185,642	-	8,464	8,464
City of Camilla Projects	3,300,000	-	100,000	100,000
City of Baconton Projects	467,592	-	44,668	44,668
City of Meigs Projects	13,413	-	-	-
Totals	$ 14,857,992	$ -	$ 884,740	$ 884,740

Note: The difference between the above schedule and the Statement of Revenues, Expenditures and Changes in Fund Balances is due to reimbursements received from the Department of Transportation for $412,689 for cost incurred related to County roads.

MITCHELL COUNTY, GEORGIA
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.

Jail Inmate Fund – This fund accounts for jail inmate funds while in custody, and for the purchase of items from the Jail Commissary and related activities on behalf of inmates and the correctional institution.

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

Clerk of Superior Court
Probate Court
Sheriff's Office
Probation Office
Magistrate Court

MITCHELL COUNTY, GEORGIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012

ASSETS	Clerk of Superior Court	Probate Court	Sheriff's Office	Probation Office
Cash and cash equivalents	$ 83,423	$ 1,987	$ 3,735	$ 42,927
Taxes receivable	-	-	-	-
Total assets	$ 83,423	$ 1,987	$ 3,735	$ 42,927
LIABILITIES				
Due to others	$ 83,423	$ 1,987	$ 3,735	$ 42,927
Uncollected taxes	-	-	-	-
Total liabilities	$ 83,423	$ 1,987	$ 3,735	$ 42,927

Jail Inmate	Tax Commissioner	Magistrate Court	Total
$ 16,759	$ 52,579	$ 39,155	$ 240,565
-	1,363,739	-	1,363,739
$ 16,759	$ 1,416,318	$ 39,155	$ 1,604,304
$ 16,759	$ 52,579	$ 39,155	$ 240,565
-	1,363,739	-	1,363,739
$ 16,759	$ 1,416,318	$ 39,155	$ 1,604,304

COMPONENT UNIT STATEMENTS

MITCHELL COUNTY, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
DECEMBER 31, 2012

ASSETS		
Cash and cash equivalents	$	138,844
Investments		243,213
Total assets	$	382,057
FUND BALANCE		
Assigned for:		
Housing and development	$	382,057
Total fund balance	$	382,057

MITCHELL COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2012

Revenues:		
Intergovernmental	$	46,333
Charges for services		12,312
Interest revenues		781
Total revenues		59,426
Expenditures:		
Current:		
Housing and development		43,933
Debt service:		
Principal		10,855
Interest		324
Total expenditures		55,112
Net change in fund balances		4,314
Fund balance, beginning of year		377,743
Fund balance, end of year	$	382,057

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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 Mitchell County, Georgia
Camilla, 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Mitchell County, Georgia (the "County") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Mitchell County, Georgia's basic financial statements and have issued our report thereon dated July 23, 2013. Our report includes a reference to other auditors who audited the financial statements of the Mitchell County Board of Health, as described in our report on Mitchell 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 of the financial statements, we considered the County'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.

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

2303 DAWSON ROAD . POST OFFICE BOX 71549 . ALBANY, GEORGIA 31708-1549 . 229-446-3600 . FAX 229-446-3664 . www.mjcpa.com
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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-3 through 2012-6, and 2012-9 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-1, 2012-2, 2012-8 and 2012-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mitchell County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-2 and 2012-7.

Mitchell County, Georgia's Responses to Findings

Mitchell County, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Mitchell County, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 County'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.

Mauldin & Jenkins, LLC

Albany, Georgia
July 23, 2013

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	_X_ yes ____ no
Significant deficiencies identified?	_X_ yes ____ none reported
Noncompliance material to financial statements noted?	_X_ yes ____ no

Federal Awards

There was not an audit of major federal award programs as of December 31, 2012 due to the total amount expended being less than $500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012 – 1. Segregation of Duties

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

Condition: There is not appropriate segregation of duties between recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the County. This is especially prominent in the offices of the County Administration, Clerk of Court, Probate Court, Magistrate Court, Law Library, Sheriff's Department, and Probation Department.

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

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

Cause: The lack of segregation of duties is due to the limited number of individuals in each office available to perform all of the required duties.

Recommendation: The County should consider having checks and balances in place, so that if overlapping duties exist, an appropriate level of review is performed.

Views of Responsible Officials and Planned Corrective Action: We concur with the recommendation. Such segregation of duties will be implemented as soon as economically possible.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012 - 2. Special Purpose Local Option Sales Tax Proceeds

Criteria: In accordance with the Official Code of Georgia (OCGA) Section 48-8-121, Special Purpose Local Option Sales Tax proceeds shall be used exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax. Such proceeds shall be kept in a separate account from other funds of such County receiving proceeds of the sales and use tax and shall not in any manner be commingled with other funds.

Condition: For the year ending December 31, 2012, the County was not in compliance with OCGA Section 48-8-121. Funds transferred from the Sales Tax Fund to the General Fund in prior years have not yet been transferred back to the 2006-2011 Sales Tax Fund.

Context: See above condition.

Effect: By transferring the Sales Tax proceeds to the General Fund, the County commingled funds, and therefore is not in compliance with state law.

Cause: The County transferred proceeds from the 2006-2011 Sales Tax Fund to the General Fund, and these amounts have not yet been returned to the 2006-2011 Sales Tax Fund.

Recommendation: The County should immediately transfer the proceeds back to the 2006-2011 Sales Tax Fund.

Views of Responsible Officials and Planned Corrective Action: We concur. We have initiated a plan to pay back the 2006-2011 Sales Tax Fund.

2012 - 3. Taxes Receivable

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period.

Condition: The County did not properly record the year end property tax receivable and revenue in the General Fund as of December 31, 2012.

Context: We addressed this matter with the County and they were able to determine the appropriate property taxes receivable that should be recorded as of December 31, 2012.

Effect: Adjustments to decrease cash by $181,519, increase property taxes receivable by $280,299, increase allowance for uncollectible taxes by $7,905, decrease deferred tax revenue by $185,955, and increase property tax revenues by $276,830 were required to be recorded in the General Fund.

Cause: The County did not review all tax revenue transactions after year-end to determine reporting in the proper period.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012 - 3. Taxes Receivable (Continued)

Recommendation: We recommend the County establish procedures to review all tax revenue transactions after year-end to determine reporting in the proper period.

Views of Responsible Official and Planned Corrective Action: We concur. We will establish procedures to review all tax revenue transactions after year-end to determine reporting in the proper period.

2012 - 4. Management of Accounts Receivable Accounts

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. As a part of these processes, the County should review all revenue transactions to determine reporting in the proper period.

Condition: The County did not properly record fees receivable in the General Fund and Water and Sewer System Fund as of December 31, 2012.

Context: See above condition.

Effect: An adjustment to decrease accounts receivable by $688,654, decrease allowance for uncollectible accounts by $380,718, and decrease revenue by $307,936 was required to be recorded in the General Fund. An adjustment to increase accounts receivable in the amount of $2,308 and to increase revenues in the same amount was required to be recorded in the Water and Sewer System Fund.

Cause: The County did not review all revenue transactions after year-end to determine reporting in the proper period.

Recommendation: We recommend the County establish procedures to review all revenue transactions after year-end to determine reporting in the proper period.

Views of Responsible Official and Planned Corrective Action: We concur. We will establish procedures to review all revenue transactions after year-end to determine reporting in the proper period.

2012 - 5. Management of Accounts Payable and Accrued Expenses

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The County did not properly address the above criteria as of December 31, 2012 as it relates to accounts payable and accrued payroll liabilities in the General Fund and accrued payroll liabilities in the Water and Sewer System Fund.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012 - 5. Management of Accounts Payable and Accrued Expenses (Continued)

Context: We addressed this matter with County officials and they were able to determine the amount of accounts payable and accrued expenditures/expenses that should be recorded in these funds as of December 31, 2012.

Effect: Adjustments to decrease prepaid expenditures by $182,181, decrease accounts payable by $216,027, decrease accrued payroll liabilities by $166,426, and decrease expenditures by $200,272 were required to be recorded in the General Fund. An adjustment to increase accrued payroll liabilities by $290 and increase expenses in the same amounts was required to be recorded in the Water and Sewer System Fund.

Cause: Reconciliations of accounts payable and accrued expenses are not being performed on a monthly basis.

Recommendation: We recommend the County implement procedures to reconcile all accounts payable and accrued expenses subsidiary ledgers to the appropriate funds' general ledger on a monthly basis.

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to reconcile subsidiary ledgers with the general ledger on a monthly basis.

2012 - 6. Management of Capital Asset Accounts

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner.

Condition: The County did not properly record depreciation of capital assets in the Water and Sewer System Fund.

Context: See above condition.

Effect: An audit adjustment to increase accumulated depreciation expense and depreciation expense by $63,141 was required to be recorded in the Water and Sewer System.

Recommendation: We recommend the County review all capital asset activity and depreciate assets in accordance with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will review all capital asset activity and properly depreciate items based on generally accepted accounting principles.

2012 - 7. Special Revenue Fund Budgets

Criteria: House Bill 1364 of the 1998 session of the Georgia General Assembly requires an annual balanced budget for the General Fund, each special revenue fund, each debt service fund and requires a project length balanced budget for each capital projects fund.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012 - 7. Special Revenue Fund Budgets (Continued)

Condition: For the year ending December 31, 2012, no annual budget was adopted for the Drug Abuse and Treatment Education Fund, Jail Fund, Law Library Fund, Jail Commissary Fund, Confiscated Assets Fund, Tornado Relief Fund, CDBG Fund, and Revolving Loan Fund in accordance with the Official Code of Georgia (OCGA) Sections 36-81-2 through 36-81-6.

Context: See above condition.

Effect: By not adopting a budget for all of the required funds, the County is not in compliance with state law.

Cause: The County did not include the above funds in the budgeting process.

Recommendation: The County should adopt an annual balanced budget for each special revenue fund.

Views of Responsible Officials and Planned Corrective Action: We concur. A budget will be adopted for all required funds going forward.

2012 - 8. Management of Due To / From (Internal) Accounts

Criteria: Generally accepted accounting principles require consideration of the collectibility of receivables of all kinds whether external or internal to the County. As part of that process, the County should review the amounts included in due to/from accounts (interfund receivables and payables) in each fund to determine the proper amount due during the year.

Condition: The County did not properly record the amounts due from other agency funds in the General Fund and Nonmajor Funds during the year ended December 31, 2012.

Context: See above condition.

Effect: An adjustment to decrease due to other funds by $50,351 and decrease revenue in the same amount was required to be recorded in the General Fund. An adjustment to increase due from other funds by $1,336 and increase revenue in by the same amount was required to be recorded in the Nonmajor Funds.

Cause: All due to/from activity between funds is not being properly recorded at the end of each financial reporting cycle.

Recommendation: We recommend the County begin recognizing and recording all necessary internal accounts receivables at the end of each financial reporting cycle.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

Views of Responsible Officials and Planned Corrective Action: We concur. We will work to record and reconcile all due to/from transactions at the end of each financial reporting cycle.

2012 - 9. Debt Transactions

Criteria: Proprietary funds use the economic resources measurement focus, which requires those funds to report all assets and liabilities, including long-term debt. As part of that reporting process, the County should properly accrue interest costs through the end of the reporting period.

Condition: The County did not properly adjust accrued interest related to its outstanding debt within the Water and Sewer System Fund and did not properly record the servicing of the debt.

Context: See above condition.

Effect: An adjustment to decrease accrued interest in the amount of $92, decrease notes payable by $25,237, and decrease interest expense by $25.449 was required to be recorded in the Water and Sewer System Fund.

Cause: See above condition.

Recommendation: We recommend the County record all debt transactions appropriately as they occur during the year.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will record all debt transactions appropriately as they occur during the year.

2012 - 10. Recording Activity

Criteria: Significant balances and transactions in any operation should be recorded, reconciled, reviewed and adjusted on a monthly basis. Specifically, management of operating transactions warrant this exercise monthly, inclusive of reviewing and reconciling the monthly statements, trial balances and other supporting documentation provided by external parties.

Condition: We noted the County is recording transactions in two (2) different software programs and discrepancies were identified in the General Fund. Additionally, the County did not include general ledger transactions recorded at other locations in the County's accounting software during the year ended December 31, 2012.

Context: See above condition.

Effect: By not recording activity and performing reviews and reconciliation on a monthly basis, the County exposes itself to not being able to identify errors or irregularities in a timely manner. Adjustments to increase cash by $50,096, decrease accounts receivable by $8,665, increase revenues by $74,184, increase expenditures by $11,462, and increase transfers out by $21,291 were required to be recorded in the General Fund.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

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2012 - 10. Recording Activity (Continued)

Cause: These adjustments were necessary due to the decentralized accounting and lack of County finance department oversight.

Recommendation: We recommend the County implement procedures to obtain information from all locations to properly record, reconcile and review all activity relative to County finances on a monthly basis.

Views of Responsible Officials and Planned Corrective Action: We concur. We will work with the various locations to obtain the information to record all necessary transactions.

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

2011 – 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: There is not appropriate segregation of duties between recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the County. This is especially prominent in the offices of the County Administration, Clerk of Court, Probate Court, Magistrate Court, Law Library, Sheriff's Department, and Probation Department.

Auditee Response/Status: Unresolved – See current year finding 2012-1.

2011 - 2. Special Purpose Local Option Sales Tax Proceeds

Criteria: In accordance with the Official Code of Georgia (OCGA) Section 48-8-121, Special Purpose Local Option Sales Tax proceeds shall be used exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax. Such proceeds shall be kept in a separate account from other funds of such County receiving proceeds of the sales and use tax and shall not in any manner be commingled with other funds.

Condition: For the fiscal year ending December 31, 2011, the County did not comply with OCGA Section 48-8-121 as it transferred proceeds from the Sales Tax Fund to the General Fund.

Auditee Response/Status: Unresolved – See current year finding 2012-2.

2011 - 3. Taxes Receivable

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period.

Condition: The County did not properly record the year end property tax receivable and revenue in the General Fund as of December 31, 2011.

Auditee Response/Status: Unresolved – See current year finding 2012-3.

2011 - 4. Management of Accounts Receivable Accounts

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. As a part of these processes, the County should review all revenue transactions to determine reporting in the proper period.

Condition: The County did not properly record fees receivable in the General Fund and Water and Sewer System as of December 31, 2011.

Auditee Response/Status: Due from other governments in the 2006-2011 Sales Tax Fund was resolved in the current year. Other items are unresolved – See current year finding 2012-4.

2011 - 5. Management of Accounts Payable and Accrued Expenses

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The County did not properly address the above criteria as of December 31, 2011 as it relates to accrued payroll liabilities in the General Fund and claims payable in the Self-Insurance Health Benefit Fund.

Auditee Response/Status: Unresolved – See current year finding 2012-5.

2011 - 6. Management of Capital Asset Accounts

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner.

Condition: The County did not properly record depreciation of capital assets in the Water and Sewer System Fund.

Auditee Response/Status: Unresolved – See current year finding 2012-6.

2011 - 7. Special Revenue Fund Budgets

Criteria: House Bill 1364 of the 1998 session of the Georgia General Assembly requires an annual balanced budget for the General Fund, each special revenue fund, each debt service fund and requires a project length balanced budget for each capital projects fund.

Condition: For the fiscal year ending December 31, 2012, no annual budget was adopted for the Drug Abuse and Treatment Education Fund, Law Library Fund, Jail Commissary Fund, Tornado Relief Fund, and CDBG Fund in accordance with the Official Code of Georgia (OCGA) Sections 36-81-2 through 36-81-6

Auditee Response/Status: Unresolved – See current year finding 2012-7.

2011 - 8. Management of Due To / From (Internal) Accounts

Criteria: Generally accepted accounting principles require consideration of the collectibility of receivables of all kinds whether external or internal to the County. As part of that process, the County should review the amounts included in due to/from accounts (interfund receivables and payables) in each fund to determine the proper amount due during the fiscal year.

Condition: The County did not properly record the amounts due from other agency funds in the General Fund and amounts due to the 2006-2011 Sales Tax Fund during the year ended December 31, 2011.

Auditee Response/Status: Unresolved – See current year finding 2012-8.

MAULDIN & JENKINS

July 23, 2013

Mitchell County Board of Commissioners
Attn: Mr. Jerry Permenter
P.O. Box 187
Camilla, Georgia 31730

Dear Mr. Permenter:

We are enclosing fifteen (15) copies of the Financial Report of Mitchell County, Georgia for the year ended December 31, 2012.

Please call me should you have any questions.

Sincerely,

MAULDIN & JENKINS, LLC

Craig Moye

CM:kh
Enclosures

2303 DAWSON ROAD • POST OFFICE BOX 71549 • ALBANY, GEORGIA 31708-1549 • 229-446-3600 • FAX 229-446-3664 • www.mjcpa.com
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