

**STEPHENS COUNTY, GEORGIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2011**

**STEPHENS COUNTY, GEORGIA**

**FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2011**

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**STEPHENS COUNTY, GEORGIA**

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Stephens County, Georgia**, as of and for the year ended June 30, 2011, which collectively comprise Stephens County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stephens County Department of Public Health, which statements reflect total assets of \$390,748 as of June 30, 2011, and total revenues of \$614,481 for the year ended June 30, 2011. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Stephens County Department of Public Health in the component unit column is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stephens County, Georgia as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and E911 Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, Stephens County, Georgia implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 10) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 12, 2011

**STEPHENS COUNTY, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

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This section of Stephens County, Georgia's ("the County") annual financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011.

**Financial Highlights**

- The assets of Stephens County exceeded its liabilities at June 30, 2011, by approximately \$67.5 million (net assets). Of this amount, \$6,571,931 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At fiscal year-end June 31, 2011, the County's General Fund reported a total fund balance of \$7,870,695.

**Overview of the Financial Statements**

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

Stephens County maintains governmental funds to account for the following activities: **General**; **Special Revenue** (E911, Jail, Water Lines, Juvenile Supervision, Drug Rehabilitation, Drug Task Force, Jail Commissary, Hotel/Motel Tax, Law Library and Grants); and **Capital Projects** (2003 SPLOST, 2008 SPLOST and Operational Capital).

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceed liabilities by \$67,479,790 at the close of the most recent fiscal year.

A large portion of the County's net assets, 85.52%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
Current and other assets	\$ 14.65	\$ 12.60	\$ 0.00	\$ 0.00	\$ 14.65	\$ 12.60	(13.97) %
Capital assets	62.29	62.84	1	1	62.83	63.38	0.87
Total assets	<u>76.93</u>	<u>75.44</u>	<u>0.55</u>	<u>0.54</u>	<u>77.48</u>	<u>75.98</u>	(1.94)
Long-term liabilities outstanding	5.83	4.95	2.13	1.65	7.96	6.59	(17.16)
Other liabilities	2.02	1.89	0.01	0.01	2.03	1.90	(6.16)
Total liabilities	<u>7.86</u>	<u>6.84</u>	<u>2.14</u>	<u>1.66</u>	<u>9.99</u>	<u>8.50</u>	(14.93)
Net assets:							
Invested in capital assets, net of related debt	57.76	57.17	0.54	0.54	58.30	57.71	(1.01)
Restricted for Capital Projects/E911	5.86	3.20	-	-	5.86	3.20	(45.38)
Unrestricted	5.47	8.23	(2.14)	(1.66)	3.33	6.57	97.64
Total net assets	<u>\$ 69.08</u>	<u>\$ 68.60</u>	<u>\$ (1.60)</u>	<u>\$ (1.12)</u>	<u>\$ 67.48</u>	<u>\$ 67.48</u>	(0.00)

Unrestricted net assets of \$6.57 million may be used to meet the government's ongoing obligations to citizens and creditors.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	Governmental Government Activities		Business-type Business Type Activities		Total Activities		Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 2.77	\$ 2.59	\$ 0.08	\$ 0.05	\$ 2.85	\$ 2.64	(7.40) %
Operating grants and contributions	0.52	0.47	-	-	0.52	0.47	(10.54)
Capital grants and contributions	0.07	0.09	-	1	0.07	0.59	732.93
General revenues:							
Property taxes	7.85	7.70	-	-	7.85	7.70	(2.02)
Other taxes	4.44	4.21	-	-	4.44	4.21	(5.16)
Investment income	0.02	0.03	-	0.00	0.02	0.03	10.92
Gain on sale of capital assets	0.01	-	-	-	0.01	-	
Total revenues	<u>15.70</u>	<u>15.09</u>	<u>0.08</u>	<u>0.55</u>	<u>15.78</u>	<u>15.64</u>	(0.88)
<b>Expenses</b>							
General government	2.36	2.28	-	-	2.36	2.28	(3.04)
Judicial	1.30	1.36	-	-	1.30	1.36	4.37
Public safety	5.60	5.66	-	-	5.60	5.66	1.13
Public works	2.59	2.68	-	-	2.59	2.68	3.66
Health and welfare	1.68	1.79	-	-	1.68	1.79	6.20
Recreation	0.86	0.87	-	-	0.86	0.87	1.45
Housing & development	0.39	0.40	-	-	0.39	0.40	2.75
Interest on long-term debt	0.20	0.22	-	-	0.20	0.22	13.32
Solid waste	-	-	0.73	0.37	0.73	0.37	(49.60)
Total expenses	<u>14.97</u>	<u>15.26</u>	<u>0.73</u>	<u>0.37</u>	<u>15.70</u>	<u>15.63</u>	(0.42)
Transfers	<u>(0.54)</u>	<u>(0.30)</u>	<u>0.54</u>	<u>0.30</u>	<u>-</u>	<u>-</u>	
Change in net assets	0.19	(0.48)	(0.11)	0.49	0.08	0.01	(90.74)
Net assets, beginning of year	68.89	69.08	(1.49)	(1.60)	67.40	67.48	0.12
Net assets, end of year	<u>\$ 69.08</u>	<u>\$ 68.60</u>	<u>\$ (1.60)</u>	<u>\$ (1.11)</u>	<u>\$ 67.48</u>	<u>\$ 67.49</u>	0.01

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The changes in net assets between fiscal years 2010 and 2011 were affected by the following:

- Net change in total revenues is minimal at less than 1%.
- Increase in capital grants and contributions from the new Tugaloo Corridor grant.
- Net change in total expenditures is minimal at less than 1%.
- Increase in interest on long term debt is due to the new debt issued last fiscal year for five sheriff vehicles, one ambulance, and seven fire trucks.
- Solid Waste expenditures declined due to several pieces of land purchased last year for closure preparation with no purchases of land this year.
- Total net assets resulted in a zero net change as the government is operating in a stagnant situation.

### **Business-type activities.**

- The Stephens County Solid Waste Management has continued to produce an operating deficit – (\$314,466) before interest and transfers from the General Fund. While this fund operates with a deficit each year, it decreased from last year due to no land purchases that were made last year.
- A transfer of funds was made from the General Fund back to the Solid Waste Fund in the amount of \$304,344.

### **Financial Analysis of the Government's Funds**

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

#### **General Fund**

The general fund is the chief operating fund of Stephens County. At the end of the current fiscal year, non-spendable fund balance was \$161,888 for prepaid items, restricted fund balance of the general fund was \$1,644,268 for landfill post closure care costs and unassigned was \$6,064,539, while the total fund balance was \$7,870,695.

As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Non-spendable fund balance represents 1.37% of total general fund expenditures, restricted fund balance represents 13.90%, unassigned fund balance represents 51.25%, while total fund balance represents 66.51% of that same amount.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **SPLOST 2003 and 2008**

SPLOST (Special purpose local option sales tax) Referendum passed on March 18, 2003 and November 6, 2007, respectively. Proceeds of \$15,500,000 (2003) and \$25,640,000 (2007) will fund multiple capital projects started in 2003 and 2008, respectively. At the end of the current fiscal year, combined SPLOST expenditures were \$3.87 million, revenues were \$1.21 million leaving a fund balance of \$3.08 million. Projects for SPLOST 2003 were completed this fiscal year while SPLOST 2008 is in its third year. Sales tax revenues were for SPLOST 2008.

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

### **Solid Waste Management**

At the end of the current fiscal year, unrestricted net assets for the Solid Waste fund were \$ (1,655,223) as this fund operates with a deficit each year requiring transfers from the General Fund.

### **General Fund Budgetary Highlights**

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

### **Capital Asset and Debt Administration**

**Capital assets.** Stephens County's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$62,837,395 (net of accumulated depreciation). This investment in capital assets includes land, site improvements, buildings, machinery and equipment, and infrastructure.

#### **Stephens County's Capital Assets (net of depreciation)**

	Governmental Activities		Percentage
	2010	2011	Change 2010-2011
Land	\$ 1,075,841	\$ 1,122,103	4.30 %
Construction in progress	187,171	499,216	166.72
Buildings and improvements	21,800,223	21,320,104	(2.20)
Machinery and equipment	1,547,843	3,353,366	116.65
Infrastructure	37,676,204	36,542,606	(3.01)
Total	\$ 62,287,282	\$ 62,837,395	0.88

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Long-term Debt.** Stephens County's long-term debt for the year ended June 30, 2011, is summarized below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital leases	\$ 2,443,281	\$ -	\$ (509,005)	\$ 1,934,276
Note payable	4,194,820	-	(340,120)	3,854,700
Compensated absences	177,205	151,973	(153,828)	175,350
Total	<u>\$ 6,815,306</u>	<u>\$ 151,973</u>	<u>\$ (1,002,953)</u>	<u>\$ 5,964,326</u>
<b>Business-type Activities:</b>				
Compensated absences	\$ 5,336	\$ 4,776	\$ (4,214)	\$ 5,898
Landfill post-closure	2,128,676	-	(484,408)	1,644,268
Total	<u>\$ 2,134,012</u>	<u>\$ 4,776</u>	<u>\$ (488,622)</u>	<u>\$ 1,650,166</u>

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

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

Engineering and post-closure costs associated with the closing of the Stephens County landfill are estimated to be approximately \$1,644,268 over a 30 year period and are recorded as a long-term liability of the Solid Waste Fund.

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

### **Economic Factors and Next Year's Budgets**

- The millage rate remains unchanged at 11.32 with a declining digest.
- Property tax collection rates.
- Elimination of property homestead credit grant from the state.
- Declining LOST, SPLOST and Insurance Premium Tax Revenues.
- Top three General Fund revenue sources make up 77% of the revenue and are in a decline.
- No new revenue sources.
- Declining landfill user fees as closure is in the early stages.
- Declining E911 fees.
- No stability in the ability to receive state grant funding.
- Employee salaries and benefits will continue to be an area of discussion for cost reductions causing an issue in employee retention.
- Increasing costs to vendors for operations.
- Cost requirements moving from the state level down to the local level.
- Significant cost items facing the short term future fiscal years are landfill closure, relocation of a force main and debt payments on the new jail moving from SPLOST IV into the General Fund.
- Many cost saving initiatives are being reviewed and implemented.

These items were taken into account when adopting the general fund budget for 2012.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As for the County's business-type activities, we expect that the 2012 results will have significant changes in the operation as preparation for closure is beginning and user fees will decline.

### **Requests for Information**

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

# STEPHENS COUNTY, GEORGIA

## STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 11,563,254	\$ 18,686	\$ 11,581,940
Taxes receivable	129,254	-	129,254
Accounts receivable, net of allowances	113,625	596	114,221
Due from other governments	497,844	-	497,844
Internal balances	18,686	(18,686)	-
Prepaid items	239,825	-	239,825
Deferred charges	40,025	-	40,025
Capital assets, non-depreciable	1,621,319	504,942	2,126,261
Capital assets, depreciable, net of accumulated depreciation	61,216,076	33,197	61,249,273
Total assets	75,439,908	538,735	75,978,643
<b>LIABILITIES</b>			
Accounts payable	378,038	5,653	383,691
Accrued liabilities	140,524	-	140,524
Due to other governments	360,147	-	360,147
Note payable due within one year	340,120	-	340,120
Note payable due in more than one year	3,514,579	-	3,514,579
Capital leases due within one year	522,947	-	522,947
Capital leases due in more than one year	1,411,329	-	1,411,329
Compensated absences due within one year	151,817	5,109	156,926
Compensated absences due in more than one year	23,533	789	24,322
Accrued closure/postclosure care costs due in more than one year	-	1,644,268	1,644,268
Total liabilities	6,843,034	1,655,819	8,498,853
<b>NET ASSETS (DEFICIT)</b>			
Investment in capital assets, net of related debt	57,170,635	538,139	57,708,774
Restricted for:			
Capital improvements	3,199,085	-	3,199,085
Judicial programs	299,697	-	299,697
Public safety	120,500	-	120,500
Other purposes	-	-	-
Unrestricted	7,806,957	(1,655,223)	6,151,734
Total net assets (deficit)	\$ 68,596,874	\$ (1,117,084)	\$ 67,479,790

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

<b>Component Unit</b>	
<b>Health Department</b>	
\$	353,610
	-
	35,234
	-
	-
	-
	-
	1,904
	<u>390,748</u>
	8,047
	-
	-
	-
	-
	19,000
	23,348
	-
	<u>50,395</u>
	1,904
	-
	-
	7,237
	<u>331,212</u>
\$	<u><u>340,353</u></u>

# STEPHENS COUNTY, GEORGIA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 2,284,746	\$ 1,347,641	\$ 143,998	\$ 19,809
Judicial	1,355,522	-	82,942	-
Public safety	5,662,896	1,158,978	242,431	28,635
Public works	2,680,071	-	-	46,234
Health and welfare	1,787,317	12,578	-	-
Recreation	869,072	69,602	-	-
Housing and development	399,872	-	-	-
Interest on long-term debt	224,794	-	-	-
Total governmental activities	15,264,290	2,588,799	469,371	94,678
Business-type activities:				
Solid waste management	367,937	53,471	-	491,040
Total business-type activities	367,937	53,471	-	491,040
Total primary government	\$ 15,632,227	\$ 2,642,270	\$ 469,371	\$ 585,718
<b>Component unit:</b>				
Health Department	\$ 564,653	\$ 309,317	\$ 305,164	\$ -
Total component unit	\$ 564,653	\$ 309,317	\$ 305,164	\$ -
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets (deficit), beginning of year				
Net assets (deficit), end of year				

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

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit Health Department</b>
\$ (773,298)	\$ -	\$ (773,298)	\$ -
(1,272,580)	-	(1,272,580)	-
(4,232,852)	-	(4,232,852)	-
(2,633,837)	-	(2,633,837)	-
(1,774,739)	-	(1,774,739)	-
(799,470)	-	(799,470)	-
(399,872)	-	(399,872)	-
(224,794)	-	(224,794)	-
<u>(12,111,442)</u>	<u>-</u>	<u>(12,111,442)</u>	<u>-</u>
-	176,574	176,574	-
-	176,574	176,574	-
<u>\$ (12,111,442)</u>	<u>\$ 176,574</u>	<u>\$ (11,934,868)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,828</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,828</u>
7,695,260	-	7,695,260	-
3,196,061	-	3,196,061	-
1,016,220	-	1,016,220	-
25,870	9	25,879	-
(304,344)	304,344	-	-
<u>11,629,067</u>	<u>304,353</u>	<u>11,933,420</u>	<u>-</u>
(482,375)	480,927	(1,448)	49,828
69,079,249	(1,598,011)	67,481,238	290,525
<u>\$ 68,596,874</u>	<u>\$ (1,117,084)</u>	<u>\$ 67,479,790</u>	<u>\$ 340,353</u>

# STEPHENS COUNTY, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2011

ASSETS	General	SPLOST	E911	Other Governmental Funds	Total
Cash and cash equivalents	\$ 6,683,481	\$ 3,487,017	\$ 818,499	\$ 574,257	\$ 11,563,254
Taxes receivable	119,850	-	-	9,404	129,254
Accounts receivable	31,269	-	82,356	-	113,625
Due from other governments	216,849	273,652	-	7,343	497,844
Due from other funds	1,045,120	-	-	-	1,045,120
Prepaid items	161,888	77,937	-	-	239,825
<b>Total assets</b>	<b><u>\$ 8,258,457</u></b>	<b><u>\$ 3,838,606</u></b>	<b><u>\$ 900,855</u></b>	<b><u>\$ 591,004</u></b>	<b><u>\$ 13,588,922</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 160,608	\$ 201,048	\$ 10,070	\$ 6,312	\$ 378,038
Accrued liabilities	140,524	-	-	-	140,524
Deferred revenues	86,630	-	-	-	86,630
Due to other funds	-	193,732	818,499	14,203	1,026,434
Due to other governments	-	360,147	-	-	360,147
<b>Total liabilities</b>	<b><u>387,762</u></b>	<b><u>754,927</u></b>	<b><u>828,569</u></b>	<b><u>20,515</u></b>	<b><u>1,991,773</u></b>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	161,888	77,937	-	-	239,825
Restricted for:					
Judicial programs	-	-	-	299,697	299,697
Public safety	-	-	72,286	48,214	120,500
Capital improvements	-	3,005,742	-	115,406	3,121,148
Assigned for:					
Landfill postclosure care costs	1,644,268	-	-	-	1,644,268
Jail commissary activities	-	-	-	6,661	6,661
Capital improvements	-	-	-	100,511	100,511
Unassigned	6,064,539	-	-	-	6,064,539
<b>Total fund balances</b>	<b><u>7,870,695</u></b>	<b><u>3,083,679</u></b>	<b><u>72,286</u></b>	<b><u>570,489</u></b>	<b><u>11,597,149</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 8,258,457</u></b>	<b><u>\$ 3,838,606</u></b>	<b><u>\$ 900,855</u></b>	<b><u>\$ 591,004</u></b>	
<p style="margin-left: 40px;">Amounts reported for governmental activities in the statement of net assets are different because:</p> <p style="margin-left: 40px;">Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p> <p style="margin-left: 40px;">Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p> <p style="margin-left: 40px;">Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>					<p>62,837,395</p> <p>86,630</p> <p><u>(5,924,300)</u></p>
Net assets of governmental activities					<b><u>\$ 68,596,874</u></b>

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

# STEPHENS COUNTY, GEORGIA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	General	SPLOST	E911	Other Governmental Funds	Total
<b>Revenues:</b>					
Property taxes	\$ 7,816,888	\$ -	\$ -	\$ -	\$ 7,816,888
Sales taxes	2,054,878	1,141,183	-	-	3,196,061
Other taxes	975,769	-	-	40,451	1,016,220
Licenses and permits	40,545	-	-	-	40,545
Intergovernmental	518,472	19,809	-	38,516	576,797
Rents and royalties	39,155	-	-	-	39,155
Charges for services	518,430	-	451,346	114,019	1,083,795
Fines and forfeitures	419,171	-	-	89,943	509,114
Interest	20,853	46,234	4,374	643	72,104
Other revenues	855,324	-	1,884	-	857,208
Total revenues	13,259,485	1,207,226	457,604	283,572	15,207,887
<b>Expenditures:</b>					
Current:					
General government	2,172,685	-	-	-	2,172,685
Judicial	1,347,413	-	-	15,620	1,363,033
Public safety	4,275,085	-	726,921	174,963	5,176,969
Public works	1,151,339	-	-	-	1,151,339
Health and welfare	1,683,327	-	-	13,229	1,696,556
Culture and recreation	738,011	-	-	20,226	758,237
Housing and development	399,872	-	-	-	399,872
Capital outlay	-	2,860,748	12,025	-	2,872,773
Debt service:					
Principal	54,976	794,150	-	-	849,126
Interest	10,481	210,780	-	-	221,261
Total expenditures	11,833,189	3,865,678	738,946	224,038	16,661,851
Excess (deficiency) of revenues over (under) expenditures	1,426,296	(2,658,452)	(281,342)	59,534	(1,453,964)
<b>Other financing sources (uses):</b>					
Transfers in	20,225	-	336,965	40,000	397,190
Transfers out	(681,309)	-	-	(20,225)	(701,534)
Total other financing sources (uses)	(661,084)	-	336,965	19,775	(304,344)
Net change in fund balances	765,212	(2,658,452)	55,623	79,309	(1,758,308)
<b>Fund balance, beginning of year</b>	7,105,483	5,742,131	16,663	491,180	13,355,457
<b>Fund balance, end of year</b>	\$ 7,870,695	\$ 3,083,679	\$ 72,286	\$ 570,489	\$ 11,597,149

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

# STEPHENS COUNTY, GEORGIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

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

Net change in fund balances - total governmental funds	\$ (1,758,308)
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 capital outlay exceeded depreciation in the current period.	550,113
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(121,628)
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.	845,593
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>1,855</u>
	<u>\$ (482,375)</u>

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

# STEPHENS COUNTY, GEORGIA

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 7,658,246	\$ 7,658,247	\$ 7,816,888	\$ 158,641
Sales taxes	2,034,691	2,034,691	2,054,878	20,187
Other taxes	928,492	928,495	975,769	47,274
Licenses and permits	33,919	33,919	40,545	6,626
Intergovernmental	320,864	325,864	518,472	192,608
Rents and royalties	34,001	34,001	39,155	5,154
Charges for services	494,250	496,750	518,430	21,680
Fines and forfeitures	462,330	462,330	419,171	(43,159)
Interest income	20,500	20,500	20,853	353
Other revenues	817,818	839,560	855,324	15,764
Total revenues	12,805,111	12,834,357	13,259,485	425,128
<b>Expenditures:</b>				
<b>Current:</b>				
General government:				
General administration	2,137,895	2,015,723	1,352,084	663,639
Registrar/elections	175,585	176,215	156,174	20,041
Tax commissioner	321,442	321,442	305,763	15,679
Tax assessor	442,559	452,854	358,664	94,190
Total general government	3,077,481	2,966,234	2,172,685	793,549
Judicial:				
Clerk of courts	384,834	384,834	367,619	17,215
Superior court	128,753	134,872	129,398	5,474
District attorney	136,659	134,689	126,618	8,071
Indigent defense	124,000	144,257	135,236	9,021
State court	120,861	120,496	119,746	750
Magistrate court	162,262	162,262	155,946	6,316
Probate court	156,566	156,566	152,045	4,521
Juvenile court	120,100	160,805	160,805	-
Total judicial	1,334,035	1,398,781	1,347,413	51,368
Public safety:				
Sheriff's office	3,680,830	3,710,601	3,663,605	46,996
Coroner	27,948	29,611	25,271	4,340
Emergency management	96,565	101,797	85,234	16,563
Probation office	86,634	146,518	144,706	1,812
Animal control	87,903	150,186	150,186	-
Rural fire protection	194,952	207,209	206,083	1,126
Total public safety	4,174,832	4,345,922	4,275,085	70,837
Public works:				
Public works department	1,103,308	1,281,082	1,151,339	129,743
Total public works	1,103,308	1,281,082	1,151,339	129,743

**(Continued)**

# STEPHENS COUNTY, GEORGIA

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011

Expenditures: (Continued)	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Current:</b>				
Health and welfare:				
Public welfare	\$ 92,800	\$ 84,602	\$ 73,609	\$ 10,993
Health and human services	1,275,713	1,394,730	1,392,899	1,831
Senior citizens center	222,478	228,496	216,819	11,677
Total health and welfare	1,590,991	1,707,828	1,683,327	24,501
Culture and recreation:				
Parks and recreation	520,132	527,185	466,011	61,174
Library	267,000	272,000	272,000	-
Total culture and recreation	787,132	799,185	738,011	61,174
Housing and development:				
County agent's office	103,068	107,856	105,874	1,982
Economic development	153,128	153,128	153,128	-
Building inspection	69,546	69,546	64,863	4,683
Airport	27,500	27,500	27,500	-
Payments to other agencies	404,295	48,807	48,507	300
Total housing and development	757,537	406,837	399,872	6,965
<b>Debt service:</b>				
Principal	44,483	66,976	54,976	12,000
Interest	9,424	13,981	10,481	3,500
Total debt service	53,907	80,957	65,457	15,500
Total expenditures	12,879,223	12,986,826	11,833,189	1,153,637
Excess (deficiency) of revenues over (under) expenditures	(74,112)	(152,469)	1,426,296	1,578,765
<b>Other financing sources (uses):</b>				
Transfers in	20,123	20,123	20,225	102
Transfers out	(1,754,811)	(1,821,987)	(681,309)	1,140,678
Total other financing sources (uses)	(1,734,688)	(1,801,864)	(661,084)	1,140,780
Net change in fund balance	(1,808,800)	(1,954,333)	765,212	2,719,545
<b>Fund balance, beginning of year</b>	7,105,482	7,105,482	7,105,482	-
<b>Fund balance, end of year</b>	\$ 5,296,682	\$ 5,151,149	\$ 7,870,694	\$ 2,719,545

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

# STEPHENS COUNTY, GEORGIA

## E911 FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 453,756	\$ 453,756	\$ 451,346	\$ (2,410)
Interest income	4,000	4,000	4,374	374
Other revenues	200	1,789	1,884	95
Total revenues	457,956	459,545	457,604	(1,941)
<b>Expenditures:</b>				
Current:				
Personal services	696,941	702,244	635,340	66,904
Supplies	7,550	10,115	10,079	36
Contractual services	85,866	83,360	81,502	1,858
Capital outlay	-	12,025	12,025	-
Total expenditures	790,357	807,744	738,946	68,798
Deficiency of revenues under expenditures	(332,401)	(348,199)	(281,342)	66,857
<b>Other financing sources:</b>				
Transfers in	332,401	348,199	336,965	(11,234)
Total other financing sources	332,401	348,199	336,965	(11,234)
Net change in fund balance	-	-	55,623	55,623
<b>Fund balance, beginning of year</b>	16,663	16,663	16,663	-
<b>Fund balance, end of year</b>	\$ 16,663	\$ 16,663	\$ 72,286	\$ 55,623

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

# STEPHENS COUNTY, GEORGIA

## STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2011

	<b>Solid Waste Management Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 18,686
Accounts receivable, net of allowances	596
Total current assets	<u>19,282</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable assets	504,942
Depreciable assets	605,665
Less accumulated depreciation	<u>(572,468)</u>
Total capital assets net of accumulated depreciation	<u>538,139</u>
Total assets	<u>557,421</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	5,653
Due to other funds	18,686
Compensated absences - current	<u>5,109</u>
Total current liabilities	<u>29,448</u>
Long-term liabilities:	
Accrued closure/postclosure care costs	1,644,268
Compensated absences payable	<u>789</u>
Total long-term liabilities	<u>1,645,057</u>
Total liabilities	<u>1,674,505</u>
<b>NET ASSETS (DEFICIT)</b>	
Invested in capital assets	538,139
Unrestricted	<u>(1,655,223)</u>
Total net assets (deficit)	<u>\$ (1,117,084)</u>

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

**STEPHENS COUNTY, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Solid Waste Management Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Garbage collection fees	\$ 40,377
Landfill fees	13,094
Total operating revenues	<u>53,471</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	181,895
Supplies and maintenance	14,754
Utilities	10,166
Office expense	1,253
Contractual services	131,742
Depreciation	4,296
Indirect costs	23,831
Total operating expenses	<u>367,937</u>
Operating loss	<u>(314,466)</u>
<b>NONOPERATING REVENUE</b>	
Interest income	9
Other income	491,040
Total nonoperating revenue	<u>491,049</u>
Income before transfers	176,583
Transfer in	<u>304,344</u>
Change in net assets	480,927
<b>NET ASSETS (Deficit), beginning of year</b>	<u>(1,598,011)</u>
<b>NET ASSETS (Deficit), end of year</b>	<u>\$ (1,117,084)</u>

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

**STEPHENS COUNTY, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Solid Waste Management Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 56,291
Payments to suppliers and service providers	(188,016)
Payments to employees	(181,333)
Net cash used in operating activities	<u>(313,058)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	9
Net cash provided by investing activities	<u>9</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from other funds	304,344
Intergovernmental	6,632
Net cash provided by noncapital activities	<u>310,976</u>
Net decrease in cash and cash equivalents	(2,073)
<b>Cash and cash equivalents:</b>	
Beginning of year	<u>20,759</u>
End of year	<u><u>\$ 18,686</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (314,466)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,296
Decrease in accounts receivable	2,820
Decrease in accounts payable	(4,197)
Decrease in due to other funds	(2,073)
Increase in compensated absences	562
Net cash used in operating activities	<u><u>\$ (313,058)</u></u>

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

**STEPHENS COUNTY, GEORGIA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

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<b>ASSETS</b>	<b>Agency Funds</b>
Cash and cash equivalents	\$ 761,943
Taxes receivable	197,109
Accounts receivable	<u>1,489</u>
Total assets	<u>\$ 960,541</u>
<b>LIABILITIES</b>	
Due to others	\$ 763,432
Uncollected taxes	<u>197,109</u>
Total liabilities	<u>\$ 960,541</u>

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

# STEPHENS COUNTY, GEORGIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

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

#### Discretely Presented Component Unit

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following major proprietary fund:

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

#### D. Budgets

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

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

#### E. Cash and Cash Equivalents

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F. Interfund Receivables and Payables

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

#### G. Prepaid Items

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

#### H. Capital Assets

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Compensated Absences

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

#### J. Long-Term Obligations

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

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

#### K. Fund Equity

The County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. Fund Equity (Continued)

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

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Use of Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$5,924,300 difference are as follows:

Note payable	\$ (3,854,699)
Capital leases payable	(1,934,276)
Debt issuance costs	40,025
Compensated absences	<u>(175,350)</u>
 Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$ (5,924,300)</u>

## NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$550,113 difference are as follows:

Capital outlay	\$ 3,103,566
Depreciation expense	<u>(2,553,453)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ 550,113</u>

Another element of the reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$845,594 difference are as follows:

Principal repayments:	
Note payable	\$ 340,121
Capital leases	509,005
Amortization of debt issuance costs	<u>(3,532)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ 845,594</u>

## NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$1,855 difference are as follows:

Compensated absences	\$ <u>1,855</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	\$ <u><u>1,855</u></u>

**NOTE 3. LEGAL COMPLIANCE - BUDGETS**

**A. Budgets and Budgetary Accounting**

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

#### A. Budgets and Budgetary Accounting (Continued)

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

Budgeted amounts are as originally adopted on June 29, 2010, or as amended by the Board of Commissioners. The supplementary budgetary appropriations made were not material.

#### B. Deficit Fund Equity

The Solid Waste Fund had deficit net assets of \$1,117,084 at June 30, 2011.

### NOTE 4. DEPOSITS AND INVESTMENTS

**Custodial credit risk – deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2011, the County's deposits were properly insured and collateralized as defined by GASB pronouncements and the official code of the State of Georgia.

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. RECEIVABLES

Receivables at June 30, 2011, for the County's individual major and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>E911 Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Solid Waste Management Fund</u>	<u>Total</u>
Receivables:						
Taxes	\$ 119,850	\$ -	\$ -	\$ 9,404	\$ -	\$ 129,254
Other governments	216,849	273,652	-	7,343	-	497,844
Accounts	<u>31,269</u>	<u>-</u>	<u>82,356</u>	<u>-</u>	<u>23,465</u>	<u>137,090</u>
Gross receivables	367,968	273,652	82,356	16,747	23,465	764,188
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,869)</u>	<u>(22,869)</u>
Net receivables	<u>\$ 367,968</u>	<u>\$ 273,652</u>	<u>\$ 82,356</u>	<u>\$ 16,747</u>	<u>\$ 596</u>	<u>\$ 741,319</u>

Property taxes were levied on July 27, 2010. Bills are payable on or before November 15, 2010, and after which the applicable property is subject to lien. The County bills and collects its own property taxes. Property taxes levied for 2011 are recorded as receivables. The receivables collected during the year ended June 30, 2011, and collected by August 31, 2011, are recognized as revenues in the year ended June 30, 2011.

Net receivables estimated to be collected subsequent to August 31, 2011 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes attached as an enforceable lien on property as of February 15, 2011.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### A. Primary Government

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,075,841	\$ 46,262	\$ -	\$ -	\$ 1,122,103
Construction in progress	187,171	679,358	-	(367,313)	499,216
Total capital assets, not being depreciated	<u>1,263,012</u>	<u>725,620</u>	<u>-</u>	<u>(367,313)</u>	<u>1,621,319</u>
Capital assets, being depreciated:					
Infrastructure	57,991,700	-	-	324,226	58,315,926
Buildings	28,096,614	49,394	-	43,087	28,189,095
Machinery and equipment	3,346,990	2,118,403	-	-	5,465,393
Vehicles	3,024,152	210,149	-	-	3,234,301
Total capital assets, being depreciated	<u>92,459,456</u>	<u>2,377,946</u>	<u>-</u>	<u>367,313</u>	<u>95,204,715</u>
Less accumulated depreciation for:					
Infrastructure	20,315,496	1,457,824	-	-	21,773,320
Buildings	6,296,391	572,600	-	-	6,868,991
Machinery and equipment	2,724,205	321,790	-	-	3,045,995
Vehicles	2,099,094	201,239	-	-	2,300,333
Total accumulated depreciation	<u>31,435,186</u>	<u>2,553,453</u>	<u>-</u>	<u>-</u>	<u>33,988,639</u>
Total capital assets, being depreciated, net	<u>61,024,270</u>	<u>(175,507)</u>	<u>-</u>	<u>367,313</u>	<u>61,216,076</u>
Governmental activities capital assets, net	<u>\$ 62,287,282</u>	<u>\$ 550,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,837,395</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### A. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 504,942	\$ -	\$ -	\$ 504,942
Total capital assets not being depreciated	<u>504,942</u>	<u>-</u>	<u>-</u>	<u>504,942</u>
Capital assets, being depreciated:				
Buildings	56,903	-	-	56,903
Machinery and equipment	516,782	-	-	516,782
Vehicles	31,980	-	-	31,980
Total capital assets, being depreciated	<u>605,665</u>	<u>-</u>	<u>-</u>	<u>605,665</u>
Less accumulated depreciation for:				
Buildings	22,566	1,138	-	23,704
Machinery and equipment	513,848	2,934	-	516,782
Vehicles	31,758	224	-	31,982
Total accumulated depreciation	<u>568,172</u>	<u>4,296</u>	<u>-</u>	<u>572,468</u>
Total capital assets being depreciated, net	<u>37,493</u>	<u>(4,296)</u>	<u>-</u>	<u>33,197</u>
Business-type activities capital assets, net	<u>\$ 542,435</u>	<u>\$ (4,296)</u>	<u>\$ -</u>	<u>\$ 538,139</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### A. Primary Government (Continued)

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

Governmental activities:

General government	\$ 175,189
Judicial	8,756
Public safety	610,511
Public works	1,535,380
Health and welfare	112,990
Culture and recreation	110,627
Total depreciation expense - governmental activities	\$ 2,553,453

Business-type activities:

Solid waste management	\$ 4,296
	\$ 4,296

#### B. Discretely Presented Component Unit – Department of Public Health

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ 19,412	\$ -	\$ -	\$ 19,412
Total capital assets, being depreciated	19,412	-	-	19,412
Less accumulated depreciation for:				
Machinery and equipment	16,556	952	-	17,508
Total accumulated depreciation	16,556	952	-	17,508
Total capital assets, net	\$ 2,856	\$ (952)	\$ -	\$ 1,904

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital leases	\$ 2,443,281	\$ -	\$ (509,005)	\$ 1,934,276	\$ 522,947
Note payable	4,194,820	-	(340,121)	3,854,699	340,120
Compensated absences	177,205	151,973	(153,828)	175,350	151,817
Governmental activities long-term liabilities	<u>\$ 6,815,306</u>	<u>\$ 151,973</u>	<u>\$ (1,002,954)</u>	<u>\$ 5,964,325</u>	<u>\$ 1,014,884</u>
<b>Business-type Activities:</b>					
Compensated absences	\$ 5,336	\$ 4,776	\$ (4,214)	\$ 5,898	\$ 5,109
Landfill closure/postclosure	2,128,676	-	(484,408)	1,644,268	-
Business-type activities long-term liabilities	<u>\$ 2,134,012</u>	<u>\$ 4,776</u>	<u>\$ (488,622)</u>	<u>\$ 1,650,166</u>	<u>\$ 5,109</u>

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

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

The cost and related accumulated depreciation of assets under capital leases as of June 30, 2011 is as follows:

	<u>Governmental Activities</u>
Equipment	\$ 2,549,247
Less accumulated depreciation	(290,484)
	<u>\$ 2,258,763</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

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

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 569,321
2013	539,216
2014	495,119
2015	435,267
Total minimum lease payments	2,038,923
Less amount representing interest	104,647
Present value of future minimum lease payments	\$ 1,934,276

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

Debt service requirements to maturity at June 30, 2011 for this note payable are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 340,120	\$ 147,789	\$ 487,909
2013	340,120	133,841	473,961
2014	340,120	120,288	460,408
2015	340,120	106,736	446,856
2016	340,120	93,431	433,551
2017 - 2021	1,700,602	262,731	1,963,333
2022 - 2023	453,497	12,813	466,310
Total	\$ 3,854,699	\$ 877,629	\$ 4,732,328

**Landfill postclosure costs.** State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, which is expected to occur in 2012, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. While the total estimated liability for closure and postclosure care is \$1,822,597 at June 30, 2011, the cumulative amount of the liability at June 30, 2011 based on the use of approximately 90% of the landfill is \$1,644,268. The County will recognize the remaining estimated cost of closure and postclosure care of \$178,329 as the remaining estimated capacity is filled.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

**Landfill postclosure costs (continued).** These costs are based on what it would cost to perform all closure and postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Should any problems occur during this period, the costs and time period required for maintenance and monitoring functions may increase.

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 14,203
General Fund	E911 Fund	818,499
General Fund	SPLOST Fund	193,732
General Fund	Solid Waste Management Fund	18,686
		\$ 1,045,120

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

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 20,225
Nonmajor Governmental Funds	General Fund	40,000
Solid Waste Management Fund	General Fund	304,344
E911 Fund	General Fund	336,965
		\$ 701,534

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. DEFINED CONTRIBUTION PENSION PLAN

The County participates in the Stephens County Pension Plan and Trust, a defined contribution plan, administered primarily by the Minnesota Mutual Insurance Company. The Plan provides retirement benefits to plan participants and beneficiaries. Employee vesting in the County's contributions to the plan is based on a five-year graded vesting schedule. The County contributes an amount equal to 1.5% of the plan year covered compensation of all qualifying participants which totaled 128 for the year ending June 30, 2011. For the fiscal year ending June 30, 2011, the County's contribution to the Plan was \$60,382. Employee voluntary contributions are not allowed under provisions of the plan.

	<u>Amount</u>	<u>Percent of covered payroll</u>
Contribution requirement by County	\$60,382	1.5%
Contributions made by County	\$60,382	1.5%
Total covered payroll	\$4,025,467	
Total County payroll	\$4,794,595	

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

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 10. RETIREMENT PLAN - COMPONENT UNIT**

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

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

The Health Department contributes 10.41% of the eligible employees' gross earnings. During the year, the Health Department contributed \$27,527. Contributions by employees are withheld by the Health Department. Such withholdings totaled \$3,650 during the year and were paid by the Health Department. The Health Department has no other liability under the plan. The Health Department's total payroll for all employees during the year was \$249,244, and all of this amount related to employees covered by the retirement plan.

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

### **NOTE 11. RISK MANAGEMENT**

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

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 11. RISK MANAGEMENT (CONTINUED)**

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

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

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

### **NOTE 12. COMMITMENTS AND CONTINGENCIES**

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

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 13. JOINT VENTURE**

Under Georgia law, the County, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2011, the County paid \$17,749 in such dues. Membership in the RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional commissions in Georgia.

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

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

# NONMAJOR GOVERNMENTAL FUNDS

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## Special Revenue Funds

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

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

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

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

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

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

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

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

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

## Capital Projects Fund

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

**STEPHENS COUNTY, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	Special Revenue Funds					
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Drug Task Force Fund	Jail Commissary Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 48,978	\$ 115,406	\$ 3,909	\$ 214,274	\$ 308	\$ 6,661
Taxes receivable	-	-	-	-	-	-
Due from other governments	950	-	-	-	-	-
Total assets	<u>\$ 49,928</u>	<u>\$ 115,406</u>	<u>\$ 3,909</u>	<u>\$ 214,274</u>	<u>\$ 308</u>	<u>\$ 6,661</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,414	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	608	-	2,500	-	-	-
Total liabilities	<u>2,022</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Restricted for:						
Judicial programs	-	-	1,409	214,274	-	-
Public safety	47,906	-	-	-	308	-
Capital improvements	-	115,406	-	-	-	-
Assigned for:						
Jail commissary activity	-	-	-	-	-	6,661
Capital improvements	-	-	-	-	-	-
Total fund balances	<u>47,906</u>	<u>115,406</u>	<u>1,409</u>	<u>214,274</u>	<u>308</u>	<u>6,661</u>
Total liabilities and fund balances	<u>\$ 49,928</u>	<u>\$ 115,406</u>	<u>\$ 3,909</u>	<u>\$ 214,274</u>	<u>\$ 308</u>	<u>\$ 6,661</u>

<b>Hotel/Motel Tax Fund</b>	<b>Law Library Fund</b>	<b>Grant Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ 84,210	\$ -	\$ 100,511	\$ 574,257
9,404	-	-	-	9,404
-	-	6,393	-	7,343
<u>\$ 9,404</u>	<u>\$ 84,210</u>	<u>\$ 6,393</u>	<u>\$ 100,511</u>	<u>\$ 591,004</u>
\$ 4,702	\$ 196	\$ -	\$ -	\$ 6,312
4,702	-	6,393	-	14,203
<u>9,404</u>	<u>196</u>	<u>6,393</u>	<u>-</u>	<u>20,515</u>
-	84,014	-	-	299,697
-	-	-	-	48,214
-	-	-	-	115,406
-	-	-	-	6,661
-	-	-	100,511	100,511
<u>-</u>	<u>84,014</u>	<u>-</u>	<u>100,511</u>	<u>570,489</u>
<u>\$ 9,404</u>	<u>\$ 84,210</u>	<u>\$ 6,393</u>	<u>\$ 100,511</u>	<u>\$ 591,004</u>

**STEPHENS COUNTY, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Special Revenue Funds</b>					
	<b>Jail Fund</b>	<b>Water Lines Fund</b>	<b>Juvenile Supervision Fund</b>	<b>Drug Rehabilitation Fund</b>	<b>Drug Task Force Fund</b>	<b>Jail Commissary Fund</b>
<b>Revenues:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	114,019
Fines and forfeitures	51,739	-	90	18,526	-	-
Interest income	18	58	3	135	-	-
Total revenues	<u>51,757</u>	<u>58</u>	<u>93</u>	<u>18,661</u>	<u>-</u>	<u>114,019</u>
<b>Expenditures:</b>						
Current:						
Judicial	-	-	2,501	-	-	-
Public safety	24,782	-	-	-	60	121,484
Health and welfare	-	-	-	3,264	-	-
Culture and recreation	-	-	-	-	-	-
Total expenditures	<u>24,782</u>	<u>-</u>	<u>2,501</u>	<u>3,264</u>	<u>60</u>	<u>121,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,975</u>	<u>58</u>	<u>(2,408)</u>	<u>15,397</u>	<u>(60)</u>	<u>(7,465)</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	26,975	58	(2,408)	15,397	(60)	(7,465)
<b>Fund balances, beginning of year</b>	<u>20,931</u>	<u>115,348</u>	<u>3,817</u>	<u>198,877</u>	<u>368</u>	<u>14,126</u>
<b>Fund balances, end of year</b>	<u>\$ 47,906</u>	<u>\$ 115,406</u>	<u>\$ 1,409</u>	<u>\$ 214,274</u>	<u>\$ 308</u>	<u>\$ 6,661</u>

<b>Hotel/Motel Tax Fund</b>	<b>Law Library Fund</b>	<b>Grant Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 40,451	\$ -	\$ -	\$ -	\$ 40,451
-	-	38,516	-	38,516
-	-	-	-	114,019
-	19,588	-	-	89,943
-	118	-	311	643
<u>40,451</u>	<u>19,706</u>	<u>38,516</u>	<u>311</u>	<u>283,572</u>
-	13,119	-	-	15,620
-	-	28,637	-	174,963
-	-	9,965	-	13,229
20,226	-	-	-	20,226
<u>20,226</u>	<u>13,119</u>	<u>38,602</u>	<u>-</u>	<u>224,038</u>
<u>20,225</u>	<u>6,587</u>	<u>(86)</u>	<u>311</u>	<u>59,534</u>
-	-	-	40,000	40,000
<u>(20,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,225)</u>
<u>(20,225)</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>19,775</u>
-	6,587	(86)	40,311	79,309
-	77,427	86	60,200	491,180
<u>\$ -</u>	<u>\$ 84,014</u>	<u>\$ -</u>	<u>\$ 100,511</u>	<u>\$ 570,489</u>

## STEPHENS COUNTY, GEORGIA

### SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2009 ISSUE FOR THE YEAR ENDED JUNE 30, 2011

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
Sewer projects	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -
Hayestone-Brady Park Project	7,000,000	7,000,000	-	151,854	151,854
Construction of fire building	3,500,000	3,500,000	108,668	2,096,427	2,205,095
Purchase of sheriff vehicles	420,000	420,000	180,092	91,132	271,224
Road improvements	2,260,000	2,260,000	73,828	214,151	287,979
Airport terminal project	1,200,000	1,200,000	26,835	283,884	310,719
Farmer market project	100,000	100,000	102,600	-	102,600
Recreation project	700,000	700,000	-	-	-
Fueling station	200,000	200,000	28,087	3,700	31,787
	<u>\$ 16,380,000</u>	<u>\$ 16,380,000</u>	<u>\$ 520,110</u>	<u>\$ 2,841,148</u>	<u>\$ 3,361,258</u>

**STEPHENS COUNTY, GEORGIA**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL  
OPTION SALES TAX PROCEEDS - 2004 ISSUE  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
Acquisition, construction and equipping of new County jail	\$ 7,221,788	\$ 7,221,788	\$ 6,503,340	\$ -	\$ 6,503,340
Renovation and equipping of historic courthouse	2,104,834	2,104,834	2,345,183	19,600	2,364,783
Acquisition, construction and equipping of enhanced 911 facility	1,896,870	1,896,870	1,896,870	-	1,896,870
Purchase of EMS vehicles	530,000	530,000	530,403	-	530,403
Road and bridge improvements	561,508	561,508	579,199	-	579,199
City of Toccoa (20.548%)	<u>3,185,000</u>	<u>3,185,000</u>	<u>1,427,616</u>	<u>-</u>	<u>1,427,616</u>
	<u>\$ 15,500,000</u>	<u>\$ 15,500,000</u>	<u>\$ 13,282,611</u>	<u>\$ 19,600</u>	<u>\$ 13,302,211</u>

## AGENCY FUNDS

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

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

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

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

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

**Clerk of Courts**  
**Probate Court**  
**Magistrate Court**

# STEPHENS COUNTY, GEORGIA

## COMBINING BALANCE SHEET

### AGENCY FUNDS

JUNE 30, 2011

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<b><u>ASSETS</u></b>	<b><u>Tax Commissioner</u></b>	<b><u>Clerk of Courts</u></b>	<b><u>Probate Court</u></b>	<b><u>Magistrate Court</u></b>
Cash and cash equivalents	\$ 260,671	\$ 379,440	\$ 918	\$ 66,118
Taxes receivable	197,109	-	-	-
Accounts receivable	-	-	-	-
Total assets	<u>\$ 457,780</u>	<u>\$ 379,440</u>	<u>\$ 918</u>	<u>\$ 66,118</u>
 <b><u>LIABILITIES</u></b>				
Due to others	\$ 260,671	\$ 379,440	\$ 918	\$ 66,118
Uncollected taxes	197,109	-	-	-
Total liabilities	<u>\$ 457,780</u>	<u>\$ 379,440</u>	<u>\$ 918</u>	<u>\$ 66,118</u>

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<u>Sheriff</u>	<u>Jail Inmate</u>	<u>Probation Office</u>	<u>Total</u>
\$ -	\$ 15,746	\$ 39,050	\$ 761,943
-	-	-	197,109
-	1,489	-	1,489
<u>\$ -</u>	<u>\$ 17,235</u>	<u>\$ 39,050</u>	<u>\$ 960,541</u>
\$ -	\$ 17,235	\$ 39,050	\$ 763,432
-	-	-	197,109
<u>\$ -</u>	<u>\$ 17,235</u>	<u>\$ 39,050</u>	<u>\$ 960,541</u>

## **COMPLIANCE SECTION**

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**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***

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Stephens County, Georgia for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. Our report includes a reference to other auditors. As discussed in Note 1, Stephens County, Georgia implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Stephens County Department of Public Health, as described in our report on Stephens County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 11-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

We also noted certain matters that we reported to the management of Stephens County, Georgia in a separate letter dated December 12, 2011.

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

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

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 12, 2011

**STEPHENS COUNTY, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**SECTION I**  
**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	___ yes <u>X</u> no
Significant deficiencies identified not considered to be material weaknesses?	<u>X</u> yes ___ no
Noncompliance material to financial statements noted?	___ yes <u>X</u> no

**Federal Awards**

There was not an audit of major federal award programs as of June 30, 2011 due to the total amount expended being less than \$500,000.

**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**11-1. Segregation of Duties (Repeat finding)**

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

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

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

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

**STEPHENS COUNTY, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**11-1. Segregation of Duties (Repeat finding)**

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

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

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

# STEPHENS COUNTY, GEORGIA

## SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### STATUS OF PRIOR YEAR AUDIT FINDINGS

#### 10-1. Segregation of Duties

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

Condition: For the fiscal year ended June 30, 2010, there were not appropriate segregation of duties among recording, distribution, reconciliation of cash accounts and other operational functions in the offices of the elected officials and the various funds possessed by the County.

Auditee Response/Status: Unresolved. See current year finding 11-1.