EFFINGHAM COUNTY, GEORGIA

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Effingham County, Georgia
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For the Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Effingham County, 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 Effingham County, Georgia as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Effingham County, Georgia'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 Effingham County Board of Health, which financial statements reflect total assets of $833,723 at June 30, 2012, and total revenues of $820,542. The Effingham County Board of Health is a discretely presented component unit included in Effingham County, Georgia's financial statements. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for this entity is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the basic 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 Effingham County, Georgia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 4, 2013, on our consideration of Effingham County, Georgia's internal control over financial reporting and 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 7 through 15, and the budgetary comparison information on pages 50 through 53 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 Effingham County, Georgia's basic financial statements as a whole. The combining and individual fund statements and other schedules, including the Schedule of Projects Constructed with Special Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. All such information is the responsibility of management and were derived from and relate 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 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 taken as a whole.

Cairns, Hodges & Company, P.C.

Rincon, Georgia
June 4, 2013

Management Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Effingham County, Georgia (the County) annual financial report, the County's management is pleased to provide this narrative discussion and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The County's assets exceeded its liabilities by $104,924,628 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
  (1) Capital assets, net of related debt, of $70,017,620 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net assets of $17,489,706 are restricted by constraints imposed from outside the County such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net assets of $9,167,683 represent the portion available to maintain the County's continuing obligations to citizens and creditors.
- The County's governmental funds reported total ending fund balance of $34,898,953 this year. This compares to the restated prior year ending fund balance of $30,335,662 showing an increase of $4,563,291 during the current year. The ending fund balance resources have been classified and reflect the use or intended use of the resource.
  (1) At the end of the current fiscal year, restricted fund balance for the General Fund was $3,989,629.
  (2) At the end of the current fiscal year, committed fund balance for the General Fund was $ 4,251,004.
  (3) At the end of the current fiscal year, unassigned fund balance for the General Fund was $_3,020,298 or 10.8% of total General Fund expenditures for fiscal year end June 2012.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the County's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The County also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available. All applicable tables will present comparative data in fiscal year 2012.

Government-wide Financial Statements

The County's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the County's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets.* This is the government-wide statement of position presenting information that includes all of the County's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the County would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of County infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities,* which reports how the County's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the County's distinct activities or functions on revenues provided by the County's taxpayers.

Both government-wide financial statements distinguish governmental activities of the County that are principally supported by sales and property taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and streets. Business-type activities include water and sewer systems and sanitation.

The government-wide financial statements are presented on pages 16 & 17 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The County has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different, with fund statements providing a distinctive view of the County's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 18 through 21 of this report.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. The County's proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Currently the County provides sanitation services to customers in the unincorporated areas of the County and services for water and sewer utilities in certain areas of the southern part of the unincorporated County.

The basic enterprise fund financial statements are presented on pages 22 through 25 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

Other Supplementary Information

As discussed, the County reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 54.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Financial Analysis of the County as a Whole

The County implemented the new financial reporting model used in this report beginning with the fiscal year ended June 30, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the County as a whole.

The County's net assets at fiscal year-end are $104,924,628. The following table provides a summary of the County's net assets:

Summary of Net Assets (in millions)

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current Assets	41.1	35.8	4.0	6.0	45.1	41.8
Capital Assets	61.2	66.6	37.3	38.8	98.5	105.4
Total Assets	102.3	102.4	41.3	44.8	143.6	147.2
Liabilities						
Current Liabilities	3.2	3.1	6.5	6.2	9.7	9.3
Long- Term Liabilities	2.7	2.8	26.3	27.7	29.0	30.5
Total Liabilities	5.9	5.9	32.8	33.9	38.7	39.8
Net Assets						
Invested in capital Assets, net of debt	60.4	65.4	9.6	9.8	70.0	75.2
Restricted	25.6	14.1	0.1	0.1	25.7	14.2
Unrestricted	10.4	17.0	-1.2	1.0	9.2	18.0
Total Net Assets	96.4	96.5	8.5	10.9	104.9	107.4

The County continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 12.84 to 1.

The County reported positive balances in net assets for both governmental and business-type activities. Net assets decreased by $31,654 for governmental activities and decreased by $2,367,140 for business-type activities. The County's overall financial position appears to have diminished during fiscal year 2012. Note that approximately 60.4% of the Governmental Activities' net assets are invested in capital. The County uses these capital assets to provide services to its citizens. However, with business type activities, water, sewer, and sanitation, the County has a -1.2 million of unrestricted, undesignated and 9.6 million invested in Capital Assets with total net assets of 8.5 million. Capital assets in the business-type activities will be providing utility services, but they also generate revenues for this fund.

The following table provides a comparative summary of the County's changes in net assets:

Summary of Changes in Net Assets

	2012				2011			
	Governmental Activities	Business Activities	Total	% of Total	Governmental Activities	Business Activities	Total	% of Total
Revenues:								
Program:								
Charges for services	$ 6,381,106	$ 4,020,796	$ 10,401,902	23%	$ 5,423,720	$ 3,896,818	$ 9,320,538	20%
Operating grants	2,481,126		2,481,126	5%	2,374,501	-	2,374,501	5%
Capital grants	442,881	409,801	852,682	2%	1,765,864	113,444	1,879,308	4%
General:								
Taxes	32,284,026		32,284,026	70%	33,329,854	-	33,329,854	71%
Other	265,548	(341,303)	(75,755)	0%	228,959	44,421	273,380	1%
Total revenues	41,854,687	4,089,294	45,943,981	100%	43,122,898	4,054,683	47,177,581	100%
Program Expenses:								
General government	5,919,847	-	5,919,847	12%	6,397,147	-	6,397,147	14%
Judicial	2,541,455	-	2,541,455	5%	2,354,289	-	2,354,289	5%
Public safety	20,067,462	-	20,067,462	41%	19,652,162	-	19,652,162	43%
Public works	8,810,125	-	8,810,125	18%	6,797,532	-	6,797,532	15%
Health and welfare	1,237,089	-	1,237,089	3%	888,927	-	888,927	2%
Culture and recreation	2,092,955	-	2,092,955	4%	2,063,177	-	2,063,177	4%
Housing and development	1,284,616	-	1,284,616	3%	1,152,523	-	1,152,523	3%
Interest	37,805	-	37,805	0%	50,436	-	50,436	0%
Water	-	2,394,764	2,394,764	5%	-	2,384,941	2,384,941	5%
Sewer	-	1,455,538	1,455,538	3%	-	1,520,930	1,520,930	3%
Sanitation	-	2,586,004	2,586,004	5%	-	2,647,256	2,647,256	6%
Other	-	148,373	148,373	0%	-	-	-	0%
Total expenses	41,991,354	6,584,679	48,576,033	100%	39,356,193	6,553,127	45,909,320	100%
Excess	(136,667)	(2,495,385)	(2,632,052)		3,766,705	(2,498,444)	1,268,261	
Transfers	(128,245)	128,245	-		(12,466,053)	12,466,053	-	
Change in net assets	(264,912)	(2,367,140)	(2,632,052)		(8,699,348)	9,967,609	1,268,261	
Beginning net assets	96,437,394	10,886,028	107,323,422		105,136,742	918,419	106,055,161	
Prior period adjustment	233,258		233,258				-	
Ending net assets	$ 96,405,740	$ 8,518,888	$ 104,924,628		$ 96,437,394	$ 10,886,028	$ 107,323,422	

Governmental Revenues

The County is heavily reliant on property and sales taxes to support governmental operations. In 2012, Property taxes provided 38.7% of the County's governmental revenues and sales taxes provided 33.0% of the County's governmental revenues. We have been able to earn $22,388 in interest earnings to support governmental activities. Also, note that program revenues cover only 22.2% of governmental operating expenses. This means that the government's taxpayers and the County's other general revenues fund 77.8% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the County's revenue streams.

Governmental Functional Expenses

The public safety function comprises 47.79% (49.93% in 2011) of the County's total governmental expenses. The public works function makes up 20.98% (17.27% in 2011) of the total governmental expenses.

This table presents the cost of each of the County's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the County's taxpayers by each of these functions.

Governmental Activities

	Total Cost of Services	Net Cost of Services
General government	$ 5,919,847	$ 4,844,685
Judicial	2,541,455	2,331,189
Public safety	20,067,462	13,306,951
Public works	8,810,125	8,434,827
Health and welfare	1,237,089	867,434
Culture and recreation	2,092,955	1,771,122
Housing and development	1,284,616	1,092,228
Interest on long-term debt	37,805	37,805
Total	$ 41,991,354	$ 32,686,241

Business-Type Activities

The County is in its ninth year of the development of its water and sewer operations. The operating revenues for water and sewer in 2012 were $1,208,002 and $1,187,529 for 2011. Operating expenses for 2012 were $ 3,850,302 and $2,811,281or 2011. An operating loss of $2,642,300 was incurred for 2012 and for 2011, the operating loss was $1,623,752.

The operating revenues for the sanitation fund were $2,711,159 for 2012 and $2,709,289 for 2011. This activity resulted in operating income of $125,155 but after including interest income, the fund reported net income of $181,013.

FUND LEVEL FINANCIAL STATEMENTS

Financial Analysis of the County's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $34,898,953. Of this year-end total, $3,413,635 is unassigned indicating availability for continuing County service requirements. Legally restricted fund balances (i.e., the restricted fund balances) include but are not limited to: $13,997,502 restricted to approved SPLOST projects, and $1,605,511 restricted to public safety purposes including the emergency 911 program and Fire Services. In addition, committed fund balances are $4,373,630.

The total ending fund balances of governmental funds show a increase of $4,681,743 or 15.5% of the prior years' total fund balance. This increase is primarily the result of the events and programs described within the analysis of the County's governmental activities presented in the next section.

Major Governmental Funds

The General Fund is the County's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by $514,238 from the prior year. This was due primarily to transfers made to the Water & Sewer funds and Special Tax District fund.

Property taxes decreased approximately $855,270 thousand or 5.2%. In 2012, the millage rate remained the same at 8.553 mils. The net tax digest decreased from $1,774,718,091 to $1,767,092,070. The General Fund's ending fund balance is considered to be in a strong position, representing the equivalent of 41.4% of actual annual expenditures for 2012. Included in this fund balance is $4.2 million which has been committed for stabilization in unforeseen emergencies or for working capital.

The total general fund expenditures were approximately $28.0 million or approximately $0.8 million less than the prior year.

General fund general government costs decreased from $4,962,179 in 2011 to $4,447,286 in 2012.

General fund public safety costs decreased from $15,431,373 in 2011 to $ 14,975,092 in 2012.

General fund public works costs decreased from $2,277,893 in 2011 to $2,211,242 in 2012.

General fund housing and development costs increased from $1,170,058 in 2011 to $1,296,927 in 2012.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status as referenced above.

General Fund Budgetary Highlights

Revenues - The revenue budget was amended upward by $1,013,006 primarily related to an increase in tax receipts, intergovernmental revenues, and fines. Most other revenue final budgets were consistent with the original budgets.

The actual revenue from charges and services was $267,471 above the final budget. Taxes were $347,328 above the final budgeted revenue. For investment earnings, the budget fell short by $3,207.

Expenditures - The expenditure side of the original budget for the General Fund was revised upward for various items during the year by $1,932,708 or 7.3%. The total general fund budget was under spent by $319,290. The County spent 98.9% of its final general fund budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2012, was $61,249,388 and $37,322,039 respectively. The total net decrease in this net investment was $5,350,900 for governmental activities, and a $1,503,839 decrease for business-type activities. The decreases in these amounts relate to additions to governmental activities assets of $3,770,551 less depreciation of $9,121,451, and business-type asset additions of $49,707 less depreciation of $1,153,528.

See Note 7 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

(This page continued on next page)

Capital Assets	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Non-depreciable assets:						
Land and land rights	$ 4,516,936	$ 4,516,936	$ 1,386,918	$ 1,386,918	$ 5,903,854	$ 5,903,854
Construction in progress	4,181,009	2,968,606	1,135,474	1,485,785	5,316,483	4,454,391
Total non-depreciable assets	8,697,945	7,485,542	2,522,392	2,872,703	11,220,337	10,358,245
Depreciable assets:						
Buildings	29,315,056	29,309,975			29,315,056	29,309,975
Land and building improvements	6,237,664	6,076,157			6,237,664	6,076,157
Water system, wells and lines			9,329,603	9,329,603	9,329,603	9,329,603
Sewer systems and lines			12,699,619	12,699,619	12,699,619	12,699,619
Waste Water Treatment Plant			16,595,226	16,595,226	16,595,226	16,595,226
Waste Water Equipment			2,437,210	2,437,210	2,437,210	2,437,210
Other equipment	17,144,510	17,018,183			17,144,510	17,018,183
Transportation equipment	5,755,165	5,807,942	97,384	97,384	5,852,549	5,905,326
Furniture and fixtures	1,254,029	1,254,029			1,254,029	1,254,029
Computers and peripherals	721,654	721,654	13,707	13,707	735,361	735,361
Infrastructure	99,112,342	96,919,829			99,112,342	96,919,829
Total depreciable assets	159,540,420	157,107,769	41,172,749	41,172,749	200,713,169	198,280,518
Less accumulated depreciation	106,988,977	97,993,023	6,373,102	5,219,574	113,362,079	103,212,597
Book value - depreciable assets	52,551,443	59,114,746	34,799,647	35,953,175	87,351,090	95,067,921
Percentage depreciated	33%	38%	85%	87%	44%	48%
Book value - all assets	$ 61,249,388	$ 66,600,288	$ 37,322,039	$ 38,825,878	$ 98,571,427	$ 105,426,166

At June 30, 2012, the depreciable capital assets for governmental activities were 33% depreciated.

(This page continued on next page)

Long-term Debt

At the end of the fiscal year, the County had total capital leases outstanding of $870,138 and notes payable within the Business-type activities of $27,683,669.

During the year, the County retired $837,487 of governmental activities debt or 23.3% of the beginning outstanding debt balance.

	Governmental Activities		Percentage
	2012	2011	Change
Capital leases	$ 870,138	$ 1,218,232	-29%
Landfill closure and postclosure care	1,574,841	1,543,961	2%
Compensated absences	862,004	829,479	4%
Total	$ 3,306,983	$ 3,591,672	-8%

See Note 9 for additional information about the County's long-term debt.

Economic Conditions Affecting the County

The County is physically located in the southeastern portion of the State of Georgia, in the greater Savannah, Georgia area. This area of southeast Georgia has experienced moderate economic growth.

The County is growing with a population increase of 52% from 1990 to 2010.

Since the County relies primarily on property and sales taxes, changes in the economy definitely affect the revenue streams. Since sales taxes are an "elastic revenue stream," in a sluggish economy, sales tax revenues can be reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, for the County, because of its revenue stream makeup, it is able to survive financially in a slow economy.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances, comply with finance-related laws and regulations, and demonstrate the County's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the County's Administrator or Finance Director at 601 North Laurel Street, Springfield, Georgia 31329 or telephone 912-754-2111 or 912-754-8011.

Basic Financial Statements

Effingham County, Georgia
Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents (Note 4)	$ 34,932,111	$ 3,091,027	$ 38,023,138	$ 784,406
Restricted cash (Note 4)	170,331	121,655	291,986	
Receivables:				
Accounts	1,061,216	244,476	1,305,692	24,606
Property taxes	1,685,674		1,685,674	
Sales taxes	1,105,171		1,105,171	
Inventories	2,463		2,463	
Prepaid items	305,811	3,621	309,432	
Deferred charges - loan costs		502,197	502,197	
Pension net assets	1,801,364		1,801,364	
Capital assets (Note 7)				
Nondepreciable capital assets	8,697,945	2,522,392	11,220,337	
Depreciable capital assets, net	52,551,443	34,799,647	87,351,090	24,711
Total assets	102,313,529	41,285,015	143,598,544	833,723
Liabilities				
Current liabilities				
Accounts payable	1,879,474	774,067	2,653,541	
Accounts payable from restricted assets		10,494	10,494	
Accrued expenses	548,468	44,647	593,115	
Accrued interest payable	23,430	73,866	97,296	
Due to Department of Community Health				17,606
Performance bonds	125,657		125,657	
Customer deposits		78,885	78,885	
Unearned revenue	23,777	4,100,499	4,124,276	
Compensated absences payable	517,202		517,202	8,603
Capital leases payable	111,552		111,552	
Notes payable		1,360,177	1,360,177	
Long-term liabilities: (Note 9)				
Notes payable (net of current portion)		26,323,492	26,323,492	
Compensated absences payable (net of current portion)	344,802		344,802	34,413
Capital leases payable (net of current portion)	758,586		758,586	
Landfill closure and postclosure care costs payable	1,574,841		1,574,841	
Total liabilities	5,907,789	32,766,127	38,673,916	60,622
Net assets				
Invested in capital assets, net of related debt (Note 12)	60,379,250	9,638,370	70,017,620	24,711
Restricted for:				
Capital projects	14,011,932	111,161	14,123,093	
Public safety	1,562,153		1,562,153	
Service delivery to unincorporated areas	5,879,505		5,879,505	
Service delivery to incorporated areas	2,370,114		2,370,114	
Program purposes	1,876,640		1,876,640	218,000
Unrestricted	10,326,146	(1,230,643)	9,095,503	530,390
Total net assets	$ 96,405,740	$ 8,518,888	$ 104,924,628	$ 773,101

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

Effingham County, Georgia
Statement of Activities
For the Year Ended June 30, 2012

Function/Program	Expenses	Program Revenues: Charges for Services and Fines	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants Contributions, and Interest	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government								
Governmental activities								
General government	$ 5,919,847	$ 984,483	$ 86,725	$ 3,954	$ (4,844,685)		$ (4,844,685)	
Judicial	2,541,455	141,842	8,619	59,805	(2,331,189)		(2,331,189)	
Public safety	20,067,462	4,616,095	2,144,416		(13,306,951)		(13,306,951)	
Public works	8,810,125	130		375,168	(8,434,827)		(8,434,827)	
Health and welfare	1,237,089	128,289	241,366		(867,434)		(867,434)	
Culture and recreation	2,092,955	317,879	0	3,954	(1,771,122)		(1,771,122)	
Housing and development	1,284,616	192,388	0		(1,092,228)		(1,092,228)	
Interest	37,805				(37,805)		(37,805)	
Total governmental activities	41,991,354	6,381,106	2,481,126	442,881	(32,686,241)	$ 0	(32,686,241)	
Business-type activities:								
Water	2,394,764	1,188,054				(1,206,710)	(1,206,710)	
Sewer	1,455,538	19,948				(1,435,590)	(1,435,590)	
Sanitation	2,586,004	2,711,159				125,155	125,155	
Other	148,373	101,635		409,801		363,063	363,063	
Total business-type activities	6,584,679	4,020,796	0	409,801	0	(2,154,082)	(2,154,082)	
Total primary government	$ 48,576,033	$ 10,401,902	$ 2,481,126	$ 852,682	(32,686,241)	(2,154,082)	(34,840,323)	
Component unit								
Effingham County Board of Health	$ 772,283	$ 389,443	$ 507,157	$ 0				$ 124,317
General revenues								
Property taxes levied for general government purposes					16,213,881		16,213,881	
Sales taxes					13,798,179		13,798,179	
Insurance premium taxes					1,626,136		1,626,136	
Other taxes					645,830		645,830	
Gain (loss) on disposition of capital assets					8,118	(400,018)	(391,900)	
Investment earnings					22,388	58,715	81,103	
Miscellaneous					235,042		235,042	48,259
Total general revenues					32,549,574	(341,303)	32,208,271	48,259
Transfers					(128,245)	128,245	0	
Total general revenues and transfers					32,421,329	(213,058)	32,208,271	48,259
Change in net assets					(264,912)	(2,367,140)	(2,632,052)	172,576
Net assets								
Beginning of year as previously stated					96,437,394	10,886,028	107,323,422	600,525
Prior period adjustment					233,258		233,258	
Beginning of year as restated					96,670,652	10,886,028	107,556,680	600,525
Net assets end of year					$ 96,405,740	$ 8,518,888	$ 104,924,628	$ 773,101

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

Effingham County, Georgia
Balance Sheet
Governmental Funds
June 30, 2012

	General	Special Tax District	SPLOST	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 11,068,823	$ 5,607,689	$ 14,782,012	$ 3,473,587	$ 34,932,111
Restricted cash	170,331				170,331
Receivables:					
Accounts	1,877,997	271,816		161,244	2,311,057
Property taxes	1,685,674				1,685,674
Sales taxes	482,539		622,632		1,105,171
Interfund	100,000			114,181	214,181
Inventories	2,463				2,463
Prepaid items	305,329			482	305,811
Total assets	$ 15,693,156	$ 5,879,505	$ 15,404,644	$ 3,749,494	$ 40,726,799
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 540,662		$ 1,274,723	$ 64,089	$ 1,879,474
Accrued expenditures	388,611		117,989	41,868	548,468
Performance bonds	125,657				125,657
Interfund payable	9,437			204,744	214,181
Deferred revenue	3,060,066				3,060,066
Total liabilities	4,124,433	$ 0	1,392,712	310,701	5,827,846
Fund balances					
Nonspendable					
Inventories	2,463				2,463
Prepaid items	305,329			482	305,811
Restricted for:					
Performance bonds	44,674				44,674
Landfill closure and post-closure	1,574,841				1,574,841
Special service district - unincorporated area		5,879,505			5,879,505
Service delivery to incorporated areas:					
City of Rincon	1,562,801				1,562,801
City of Springfield	530,668				530,668
City of Guyton	276,645				276,645
Public safety				1,605,511	1,605,511
Public works and recreation				1,260,403	1,260,403
Housing and development				61,831	61,831
Health and welfare				9,033	9,033
Capital projects			13,997,502		13,997,502
Committed for:					
Economic stabilization	4,200,000				4,200,000
Subsequent year expenditures	51,004		14,430	108,196	173,630
Unassigned	3,020,298			393,337	3,413,635
Total fund balances	11,568,723	5,879,505	14,011,932	3,438,793	34,898,953
Total liabilities and fund balances	$ 15,693,156	$ 5,879,505	$ 15,404,644	$ 3,749,494	$ 40,726,799

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

Effingham County, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Total Governmental Fund Balances		$ 34,898,953
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	$ 168,238,365	
Less accumulated depreciation	(106,988,977)	61,249,388
Pension net assets are not current financial resources and are not recognized at the fund financial reporting level but are reported on the government-wide statement of net assets.		1,801,364
Property taxes are deferred in the governmental funds because they are not available but they are reported as revenue on the statement of activities.		1,561,004
Emergency Medical Services revenues are deferred in the governmental funds because they are not available but they are reported as revenue on the statement of activities net of an allowance for uncollectible accounts.		
Deferred revenue	1,475,285	
Less allowance for uncollectible accounts	(1,249,841)	225,444
Accrued interest on long-term debt is not reported at the fund financial reporting level, but is reported at the government-wide reporting level.		(23,430)
Liabilities, including bonds and compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital leases payable	(870,138)	
Landfill closure and postclosure care costs	(1,574,841)	
Compensated absences	(862,004)	(3,306,983)
Net Assets of Governmental Activities		$ 96,405,740

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

Effingham County, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Special Tax District	SPLOST	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 15,574,794	$ 933,069			$ 16,507,863
Sales taxes	6,024,581		$ 7,773,598		13,798,179
Insurance premium taxes				$ 1,626,136	1,626,136
Other taxes	430,994	214,836			645,830
Licenses and permits	22,230			187,758	209,988
Intergovernmental	2,497,716			48,438	2,546,154
Charges for services	2,974,409			1,742,915	4,717,324
Fines and forfeitures	1,280,054			63,102	1,343,156
Investment earnings	11,793	6,226	15,814	4,371	38,204
Miscellaneous	235,042				235,042
Total revenues	29,051,613	1,154,131	7,789,412	3,672,720	41,667,876
Expenditures					
Current:					
General government	4,447,286				4,447,286
Judicial	2,554,739				2,554,739
Public safety	14,975,092			3,213,190	18,188,282
Public works	2,211,242			139,846	2,351,088
Health and welfare	759,612			482,572	1,242,184
Culture and recreation	1,707,761			88,999	1,796,760
Housing and development	1,296,927				1,296,927
Capital outlays - SPLOST			3,245,035		3,245,035
Intergovernmental			1,473,097		1,473,097
Debt service:					
Principal retirement			240,408	107,686	348,094
Interest and fiscal charges			5,505	35,461	40,966
Total expenditures	27,952,659	0	4,964,045	4,067,754	36,984,458
Excess (deficiency) of revenues to expenditures	1,098,954	1,154,131	2,825,367	(395,034)	4,683,418
Other financing sources (uses)					
Proceeds from sales of surplus	8,118				8,118
Interfund transfers to/from:					
Building and zoning fund		(350,000)		350,000	0
E-911 fund	(583,201)			583,201	0
Debt service fund				(160)	(160)
Landfill fund	(128,085)				(128,085)
Total other financing sources (uses)	(703,168)	(350,000)	0	933,041	(120,127)
Net change in fund balances	395,786	804,131	2,825,367	538,007	4,563,291
Fund balances:					
Beginning of year as previously stated	11,054,485	5,075,374	11,186,565	2,900,786	30,217,210
Prior period adjustment	118,452				118,452
	11,172,937	5,075,374	11,186,565	2,900,786	30,335,662
Fund balances end of year	$ 11,568,723	$ 5,879,505	$ 14,011,932	$ 3,438,793	$ 34,898,953

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

Effingham County, Georgia

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2012

Net Changes In Fund Balances - Total Governmental Funds		$ 4,563,291
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.		
Depreciation expense	$ (9,121,451)	
Capital outlay	3,408,514	(5,712,937)
Capital assets contributed are not reported at the fund financial reporting level but are reported on the government-wide financial reporting level.		362,037
The increase in pension assets are reported on the government-wide statement of activities but are not on the governmental fund's operating statements.		
Balance at 6/30/12	1,801,364	
Balance at 6/30/11	(1,383,173)	418,191
Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred at 6/30/12	1,561,004	
Deferred at 6/30/11	(1,854,986)	(293,982)
Accounts receivable in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. An allowance for doubtful accounts is recognized on the government-wide statement of activities.		
Allowance for doubtful accounts (6/30/12)	(1,249,841)	
Allowance for doubtful accounts (6/30/11)	818,515	
Deferred at 6/30/12	1,475,285	
Deferred at 6/30/11	(933,321)	110,638
Interest expense 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.		
Liability at 6/30/12	(23,430)	
Liability at 6/30/11	26,591	3,161
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		348,094
Landfill closure and post closure care reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Liability at 6/30/12	(1,574,841)	
Liability at 6/30/11	1,543,961	(30,880)
Compensated absences 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.		
Liability at 6/30/12	(862,004)	
Liability at 6/30/11	829,479	(32,525)
Change In Net Assets of Governmental Activities		$ (264,912)

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

Effingham County, Georgia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Major				
	Water and Sewer Operating	Wastewater Treatment Plant	Sanitation	Other Proprietary Funds	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 1,236,938	$ 79,231	$ 1,675,849	$ 99,009	$ 3,091,027
Restricted cash				121,655	121,655
Receivables					
Accounts	228,928	14,962	586		244,476
Interfund	1,324,481			1,476	1,325,957
Prepaid items	3,621				3,621
Total current assets	2,793,968	94,193	1,676,435	222,140	4,786,736
Noncurrent assets					
Deferred charges - loan costs	236,197	266,000			502,197
Capital assets					
Land	100,358	1,286,560			1,386,918
Construction in progress	1,085,767		49,707		1,135,474
Systems and equipment (net of depreciation)	19,347,960	15,435,293	16,394		34,799,647
	20,770,282	16,987,853	66,101	0	37,824,236
Total assets	23,564,250	17,082,046	1,742,536	222,140	42,610,972
Liabilities					
Current Liabilities:					
Accounts payable					
From unrestricted assets	425,082	27,437	312,405	9,143	774,067
From restricted assets				10,494	10,494
Accrued expenses	7,236	10,649	16,861	9,901	44,647
Accrued interest payable	38,078	35,788			73,866
Customer deposits	78,885				78,885
Deferred revenue - aid in construction	4,100,499				4,100,499
Interfund payable		1,324,481	1,476		1,325,957
Notes payable	628,862	731,315			1,360,177
Total current liabilities	5,278,642	2,129,670	330,742	29,538	7,768,592
Long-term debt (net of current portion)	12,458,498	13,864,994			26,323,492
Total liabilities	17,737,140	15,994,664	330,742	29,538	34,092,084
Net Assets					
Invested in capital assets, net of related debt	7,446,725	2,125,544	66,101		9,638,370
Restricted for:					
Capital projects				111,161	111,161
Unrestricted	(1,619,615)	(1,038,162)	1,345,693	81,441	(1,230,643)
Total net assets	$ 5,827,110	$ 1,087,382	$ 1,411,794	$ 192,602	$ 8,518,888

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

Effingham County, Georgia
Statement of Revenues,
Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Major				
	Water and Sewer Operating	Wastewater Treatment Plant	Sanitation	Other Proprietary Funds	Total
Operating revenues					
Charges for services	$ 1,182,792	$ 17,115	$ 2,697,809	$ 101,635	$ 3,999,351
Miscellaneous	5,262	2,833	13,350		21,445
Total operating revenues	1,188,054	19,948	2,711,159	101,635	4,020,796
Operating expenses					
Salaries	88,190	96,392	108,352		292,934
Employee benefits	47,233	37,216	49,069		133,518
Professional fees & contract services	2,103	12,273			14,376
Post-closure care			4,800		4,800
Solid waste collection			2,039,286		2,039,286
Solid waste collection - landfill			106,875		106,875
Recycling collection			158,885		158,885
Repairs and maintenance	13,876	39,109	15,617		68,602
Insurance	2,877	11,027	6,183		20,087
Operating supplies	69,781	65,074	25,850		160,705
Environmental programs			28,567		28,567
Utilities	41,706	82,388	1,367		125,461
ECP Water	678,988				678,988
Water flushing	111,278				111,278
Water testing	7,720				7,720
Water Tier I	149,991				149,991
Landfill operating				148,373	148,373
Depreciation	510,763	629,670	13,095		1,153,528
Other	18,296	17,236	28,058		63,590
Total operating expenses	1,742,802	990,385	2,586,004	148,373	5,467,564
Operating income (loss)	(554,748)	(970,437)	125,155	(46,738)	(1,446,768)
Non-operating revenues (expenses)					
Impact fees				538,168	538,168
ERU charges				(128,367)	(128,367)
Capital cost recovery repayment	(150,790)				(150,790)
Loss on disposal of capital assets	(400,018)				(400,018)
Investment earnings	2,360	93	55,858	404	58,715
Interest expense	(501,172)	(465,153)			(966,325)
Total non-operating revenues (expenses)	(1,049,620)	(465,060)	55,858	410,205	(1,048,617)
Income (loss) before transfers	(1,604,368)	(1,435,497)	181,013	363,467	(2,495,385)
Interfund transfers	139,960	289,801	0	(301,516)	128,245
Changes in net assets	(1,464,408)	(1,145,696)	181,013	61,951	(2,367,140)
Net assets -					
Beginning of year	7,291,518	2,233,078	1,230,781	130,651	10,886,028
End of year	$ 5,827,110	$ 1,087,382	$ 1,411,794	$ 192,602	$ 8,518,888

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

Effingham County, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Major				
	Water and Sewer Operating	Wastewater Treatment Plant	Sanitation	Other Proprietary Funds	Total
Increase (decrease) in cash and cash equivalents					
Cash flows from operating activities					
Cash received from customers	$ 1,222,713	$ 18,499	$ 2,711,483	101,635	$ 4,054,330
Cash payments to employees for services	(137,921)	(138,261)	(172,474)	(112,520)	(561,176)
Cash payments for goods and services	(869,268)	(231,887)	(2,488,021)	(16,809)	(3,605,985)
Net cash provided by (used for) operating activities	215,524	(351,649)	50,988	$ (27,694)	(112,831)
Cash flows from noncapital financing activities					
Interfund payable (receivable)	(1,274,130)	1,224,481	1,189	(1,476)	(49,936)
Cash flows from capital and related financing activities					
Impact fees				542,768	542,768
ERU charges				(124,767)	(124,767)
Capital cost repayment	(150,790)				(150,790)
Interfund transfers	139,960	289,801		(301,516)	128,245
Payments on notes payable	(610,743)	(709,001)			(1,319,744)
Interest paid on notes	(495,020)	(450,203)			(945,223)
Payments for capital acquisitions			(49,707)		(49,707)
Net cash provided by (used for) capital and related financing activities	(1,116,593)	(869,403)	(49,707)	116,485	(1,919,218)
Cash flows from investing activities					
Interest on investments	2,360	93	55,858	404	58,715
Net increase (decrease) in cash and cash equivalents	(2,172,839)	3,522	58,328	87,719	(2,023,270)
Cash and cash equivalents					
Beginning of year	3,409,777	75,709	1,617,521	132,945	5,235,952
End of year	$ 1,236,938	$ 79,231	$ 1,675,849	$ 220,664	$ 3,212,682

Noncash Transactions:
The Water and Sewer Operating Fund recorded a non-cash transaction to write off an abandoned project for which capital costs were incurred in prior years in the amount of $400,018.

(continued)

Effingham County, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

(continued)

	Major				
	Water and Sewer Operating	Wastewater Treatment Plant	Sanitation	Other Proprietary Funds	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	$ (554,748)	$ (970,437)	$ 125,155	$ (46,738)	$ (1,446,768)
Depreciation and amortization	510,763	629,670	13,095		1,153,528
(Increase) decrease in assets					
Accounts receivable	15,572	(1,449)	324		14,447
Prepaid expenses	(3,567)				(3,567)
Increase (decrease) in liabilities					
Customer deposits	19,087				19,087
Accounts payable	315,615	(4,780)	(72,533)	9,143	247,445
Accrued expenses	(2,498)	(4,653)	(15,053)	9,901	(12,303)
Deferred revenues	(84,700)				(84,700)
Net cash provided by (used for) operating activities	$ 215,524	$ (351,649)	$ 50,988	$ (27,694)	$ (112,831)

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

Effingham County, Georgia
Statement of Fiduciary Net Assets
Fiduciary Funds

	Pension Trust Funds December 31, 2011	Agency Funds June 30, 2012
Assets		
Cash and cash equivalents	$ 153,298	$ 745,985
Investments, at fair value, in mutual funds	4,873,329	
Accounts receivable		
From employer	27,577	
From employee	16,563	
Total assets	$ 5,070,767	$ 745,985
Liabilities		
Due to other jurisdictions		$ 745,985
Net assets		
Held in trust for:		
Employee pension benefits	$ 5,070,767	

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

Effingham County, Georgia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

		Pension Trust Funds For the Year Ended December 31, 2011
Additions		
Contributions		
Employer	$	649,664
Plan members		390,395
Total contributions		1,040,059
Investment income		
Dividends and interest		127,620
Net depreciation in fair value of investments		(115,221)
		12,399
Less investment expense		26,355
Total investment income		(13,956)
Total additions		1,026,103
Deductions		
Benefits		559,803
Changes in net assets		466,300
Net assets -		
Beginning of year		4,604,467
End of year	$	5,070,767

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

Note 1 - Reporting Entity

Effingham County, Georgia, (the County) was created pursuant to the Constitution of the State of Georgia of 1777, and is governed by a county commission pursuant to an act of the General Assembly of Georgia, Georgia Law 1921, and as amended by acts of General Assembly of Georgia including Georgia Law 1980, and is currently existing as a political subdivision of the State of Georgia. The County operates under a five-member board of commissioners and a chairman-at-large.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For the County, this entity includes the County constitutional officers (e.g., the sheriff, the tax commissioner).

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organizations; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the County in that the County approves the budget, levies their taxes or issues their debt.

The component unit columns included on the government-wide financial statements identify the financial data of the County's discretely presented component units. They are reported separately to emphasize that they are legally separate from the County.

A brief description of the discretely presented component unit follows:

Based on the application of these criteria, the County has included Effingham County Board of Health as a discretely presented component unit. Copies of the discretely presented component unit separate financial statements may be obtained directly from the Effingham County Board of Health, P. O. Box 350, Springfield, Georgia 31329.

The Effingham County Hospital Authority, Effingham County Board of Education, Department of Family and Children Services, and Effingham County Industrial Development Authority all have been evaluated as potential component units and none meet the component unit criteria.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to Counties. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

Note 2 - Summary of Significant Accounting Policies (continued)

The most significant of the County's accounting policies are described below.

Basis of Presentation

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

Government-wide financial statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the County as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. All funds other than fiduciary activities are included at the government-wide reporting level. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and County's general revenues, from business-type activities, generally financed in whole or in part with rental fees charged to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the County and it's discretely presented component unit at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each identifiable activity of the business-type activities of the County. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements - During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for County and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns.

Note 2 - Summary of Significant Accounting Policies (continued)

Fund accounting - The County uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The County uses three categories of funds: governmental, proprietary and fiduciary.

Governmental funds - Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between governmental fund assets and liabilities as fund balance.

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

The Special Tax District Fund – This fund accounts for financial resources to be used for a special service tax district which is composed of the unincorporated areas of the County as agreed to in an intergovernmental agreement with the municipalities of the County.

SPLOST Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major governmental capital projects.

Proprietary funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds. The following are the County's major enterprise funds:

Water Fund – This fund is used to account for the construction of facilities and operation of activities involved in providing water services to County residents.

Sewer Fund – This fund is used to account for the construction of facilities and operation of activities involved in providing sewer services to County residents.

Sanitation Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing sanitation services to County residents.

Fiduciary Funds – The Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for others. The pension trust fund accounts for the assets and liabilities of the Effingham County Board of Commissioners Defined Benefit Plan. The agency funds report the collections and disbursements of property taxes, fees and fines by the various constitutional offices.

Measurement Focus

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activities.

All fiduciary fund types are accounted for on a flow of economic resources measurement focus.

Basis of Accounting
Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting and agency funds use the accrual basis of accounting. Enterprise funds use the accrual basis of accounting at both reporting levels. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – exchange transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - non-exchange transactions - Non-exchange transactions in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 6). Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred/unearned revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue. Deferred revenue is reclassified as "unearned revenue" on the government-wide statement of net assets.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Assets, Liabilities and Fund Equity

Cash, cash equivalents, and investments - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County.

Investments are stated at fair value based on quoted market prices.

Georgia law (O.C.G.A. 36-83-4(a)) authorizes the County to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Receivables - All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at June 30, 2012.

Interfund balances - On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "due from/due to other funds." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Inventory - Inventories consist of recreation concessions and vehicle fleet parts. Inventories are valued at cost, using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Note 2 - Summary of Significant Accounting Policies (continued)

Prepaid items - Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

Capital assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of ten thousand dollars. The County's infrastructure consists of roads, bridges, water lines and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by enterprise funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities	Business-type Activities
Buildings	25 years	25 years
Land and building improvements	7 - 25 years	7 - 25 years
Equipment	5 - 10 years	5 - 10 years
Transportation equipment	5 years	5 years
Furniture and fixtures	8 - 10 years	8 - 10 years
Computers and peripherals	5 years	5 years
Infrastructure - roads	10 - 15 years	--
Infrastructure - road beds	20 years	--
Infrastructure - bridges	25 years	--

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

Compensated absences - Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Note 2 - Summary of Significant Accounting Policies (continued)

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the County's past experience of making termination payments.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

Accrued liabilities and long-term obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond premiums, discounts and issuance costs - On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

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

Fund balance – The County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e. the County Commission). To be reported as committed, amounts cannot be used for any other purposes unless the county takes the same highest level action to remove or change the constraint.

Note 2 - Summary of Significant Accounting Policies (continued)

Assigned fund balance - amounts the County intends to use for a specific purpose. Intent can be expressed by the County or by an official or body to which the County Commission delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the County's governmental funds have been restated to reflect the above classifications.

County Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by County Commission through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or other purposes). Additionally, assigned fund balance may reflect management's intended use of resources to be set forth in current or future annual budgets and any amendments thereto. The County Commission approved fund balance policy 11-32 on June 21, 2011.

Net assets - Net assets represent the difference between assets and liabilities. 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 for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available unless there are legal documents or contracts that prohibit doing this. Additionally, the County would first use committed fund balance, followed by assigned fund balance, then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the "unrestricted" fund balance classifications could be used.

Operating revenues and expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for the water and solid waste programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of each fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of capital - Contributions of capital in enterprise fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund activity - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Note 2 - Summary of Significant Accounting Policies (continued)

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

Estimates - The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative data - Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Note 3 – Stewardship, Compliance and Accountability

Budgetary Information
The County adopts an annual operating budget for the general fund, each special revenue fund, each capital projects fund and the debt service fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The County Administrator may approve budget transfers within departments. Any changes to a fund total or departmental appropriation within a fund requires approval of the County Commissioners. During the year, the County Commission approved three budget revisions.

All unexpended annual appropriations lapse at year-end.

General fund payments in the amount of $2,143,275 are reported as "payments to other agencies" on the budgetary basis but are classified within functions on the GAAP basis.

Note 4 - Deposits and Investments

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a financial institution failure, the government's deposits and investments may not be returned to it.

Deposits - The government does not have a deposit policy for custodial credit risk, however, as of June 30, 2012, the government is not exposed to custodial credit risk.

Note 4 - Deposits and Investments (continued)

Investments – At June 30, 2012, the County invested $22,948,960 (recorded at fair value) with the State of Georgia Local Government Investment Pool (Georgia Fund 1). The fair value of the County's position in the state investment pool is the same as the value of the pool share. The oversight agency for Georgia Fund 1 is the Office of the State Treasurer. This pool is managed under the policies included in Georgia law (O.C.G.A. 36-83-4). The entire portfolio, including the County's pro-rata portion, consists of collateralized certificates of deposit and County or County agency securities owned outright and under agreement to resale. The title to all investments, including collateral pledged to secure certificates of deposit, is held in the custody of the Director, Fiscal Division, Department of Administrative Services, State of Georgia, in accordance with Georgia law. Georgia Fund 1 is rated AAA for credit risk. The Georgia Fund 1 does not have a custodial credit risk.

At December 31, 2011, the Pension Trust Fund held investments in publically traded mutual funds totaling $4,873,329. Investments are valued based on quoted market rates.

Note 5 - Receivables

Receivables at June 30, 2012, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Note 6 - Property Taxes

The Board of Commissioners levy property taxes on or about July 15th of each year. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are usually billed on or about September 15th of each year and are payable within sixty days. The county bills and collects its own property taxes and also collects property taxes for the County Board of Education, the County Hospital Authority, the County Industrial Development Authority, and the City of Guyton. Collection of the County's taxes and for the other governmental agencies is the responsibility of the Tax Commissioner's Office, which is accounted for in an Agency fund. County property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For 2012 property taxes were levied on July 26, 2011 and were due November 15, 2011.

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Note 7 - Capital Assets

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

	Balance 6/30/2011	Additions	Deductions	Reclassification	Balance 6/30/2012
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 4,516,936				$ 4,516,936
Construction in progress	2,968,606	$ 1,664,289		$ (451,886)	4,181,009
Total capital assets not being depreciated	7,485,542	1,664,289	$ 0	(451,886)	8,697,945
Other capital assets:					
Buildings	29,309,975	5,081			29,315,056
Land and building improvements	6,076,157			161,507	6,237,664
Other equipment	17,018,183	126,327			17,144,510
Transportation equipment	5,807,942	72,720	125,497		5,755,165
Furniture and fixtures	1,254,029				1,254,029
Computers and peripherals	721,654				721,654
Infrastructure	96,919,829	1,902,134		290,379	99,112,342
Total other capital assets	157,107,769	2,106,262	125,497	451,886	159,540,420
Total capital assets	164,593,311	3,770,551	125,497	0	168,238,365
Accumulated depreciation:					
Buildings	9,266,050	1,253,536			10,519,586
Land and building improvements	2,505,071	345,446			2,850,517
Other equipment	11,854,504	1,529,908			13,384,412
Transportation equipment	4,655,982	464,759	125,497		4,995,244
Furniture and fixtures	612,692	170,011			782,703
Computers and peripherals	546,778	87,372			634,150
Infrastructure	68,551,946	5,270,419			73,822,365
Total accumulated depreciation	97,993,023	9,121,451	125,497	0	106,988,977
Governmental activities capital assets, net	$ 66,600,288	$ (5,350,900)	$ 0	$ 0	$ 61,249,388

Governmental activities depreciation expense	
General government	$ 1,297,736
Public safety	2,073,480
Public works	5,525,668
Culture and recreation	196,219
Housing and development	28,348
Total governmental activities depreciation expense	$ 9,121,451

Note 7 - Capital Assets (continued)

	Balance 6/30/2011	Additions	Deductions	Reclassification	Balance 6/30/2012
Business-type activities:					
Capital assets not being depreciated:					
Land and land rights	$ 1,386,918				$ 1,386,918
Construction in progress	1,485,785	$ 49,707	$ 400,018		1,135,474
Total capital assets not being depreciated	2,872,703	49,707	400,018	$ 0	2,522,392
Other capital assets:					
Water wells	81,991				81,991
Water system and lines	9,247,612				9,247,612
Sewer system and lines	12,699,619				12,699,619
Waste water treatment plant	16,595,226				16,595,226
Waste water equipment	2,437,210				2,437,210
Transportation equipment	97,384				97,384
Computer equipment and software	13,707				13,707
Total other capital assets	41,172,749	0	0	0	41,172,749
Total capital assets	44,045,452	49,707	400,018	0	43,695,141
Less accumulated depreciation:					
Water wells	85,699	1,401			87,100
Water system and lines	933,100	191,873			1,124,973
Sewer system and lines	1,151,701	317,490			1,469,191
Waste water treatment plant	2,053,532	413,276			2,466,808
Waste water equipment	937,695	210,012			1,147,707
Transportation equipment	44,140	19,476			63,616
Computer equipment and software	13,707				13,707
Total accumulated depreciation	5,219,574	1,153,528	0	0	6,373,102
Business-type activity capital assets, net	$ 38,825,878	$ (1,103,821)	$ 400,018	$ 0	$ 37,322,039

	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012
Component unit:				
Machinery and equipment	$ 34,629	$ 25,268	$ 2,009	$ 57,888
Less accumulated depreciation	22,631	12,555	2,009	33,177
Component unit capital assets, net	$ 11,998	$ 12,713	$ 0	$ 24,711

Note 8 - Interfund Balances and Transfers

Interfund balances at June 30, 2012, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The County expects to repay all other interfund balances within one year.

	Payable to:				
Payable from:	General Fund	Non-major Governmental Funds	Water and Sewer Operating Fund	Non-major Proprietary Funds	Total
General Fund		$ 9,437			$ 9,437
Non-major Governmental Funds	$ 100,000	104,744			204,744
Waste Water Treatment Plant Fund			$ 1,324,481		1,324,481
Sanitation Fund				$ 1,476	1,476
Total	$ 100,000	$ 114,181	$ 1,324,481	$ 1,476	$ 1,540,138

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

All County transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer. The General Fund transferred $583,201 to the Emergency 911 fund to subsidize operating expenses incurred by the Emergency 911 Fund. The General Fund transferred $128,085 to the Landfill fund to establish the fund. The Special Tax District Fund transferred $350,000 the Building and Zoning Fund to establish the fund. The Debt Service Fund (governmental) transferred $160 the Water and Sewer Fund to return excess funding in prior year and close the Debt Service Fund.

The Water Impact Fee Fund transferred $24,815 to the Water and Sewer Operating Fund and Sewer Impact Fee Fund transferred $289,801 to the Wastewater Treatment Plant Fund. These transfers were to made to cover qualified expenditures paid by the Water and Sewer Operating and the Wastewater Treatment Plant funds.

Note 9 - Long Term Liabilities

Governmental Activities

Capital Leases - The County has entered into capital leases for various pieces of property and equipment. These leases meet the criteria of a capital lease since they transfer benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level.

Note 9 - Long Term Liabilities (continued)

Capital lease payable to Branch Banking and Trust Company in equal monthly payments of approximately $9,252 through September, 2013 including interest at 3.31%. This lease was used to purchase equipment for the public works department with a total cost of $510,967. The equipment acquired by the lease is included in the governmental activities general capital assets in the amount of $232,139 (cost of $510,967 less accumulated depreciation of $278,828). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. This capital lease was paid off during the current fiscal year.

Capital lease payable to Motorola, Inc. in equal annual payments of approximately $142,791 through October, 2018 including interest at 3.59%. This lease was used to purchase E-911 equipment with a total cost of $1,224,471. The equipment acquired by the lease is included in the governmental activities general capital assets in the amount of $448,973 (cost of $1,224,471 less accumulated depreciation of $775,498). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Annual debt service requirements to amortize this capital lease as of June 30, 2012 follow:

Year	Principal	Interest	Total
2013	$ 111,552	$ 31,239	$ 142,791
2014	115,557	27,234	142,791
2015	119,705	23,086	142,791
2016	124,002	18,789	142,791
2017	128,454	14,337	142,791
2018-2019	270,868	14,714	285,582
Total	$ 870,138	$ 129,399	$ 999,537

Business-type Activities

Notes Payable to Georgia Environmental Facilities Authority - During the current year the County issued notes to the Georgia Environmental Facilities Authority for the construction of a water distribution system and a waste water collection system and treatment facility.

Contract 2003-L35WS was issued in the amount of $3,000,000 for the construction of a water distribution system. The total principal amount drawn including capitalized accrued interest was $3,030,042. The interest rate on the note is 3.73%. Repayment of the note is in equal monthly installments of $18,141 beginning January 1, 2005 and ending on February 1, 2025. Annual debt service requirements to amortize this note as of June 30, 2012 follow:

Year	Principal	Interest	Total
2013	$ 137,663	$ 80,032	$ 217,695
2014	143,413	74,282	217,695
2015	148,855	68,840	217,695
2016	154,503	63,192	217,695
2017	160,366	57,329	217,695
2018-2022	897,855	190,621	1,088,476
2023-2025	551,766	28,754	580,520
Total	$ 2,194,421	$ 563,050	$ 2,757,471

Note 9 - Long Term Liabilities (continued)

Contract CWSRF 03-003 was issued in the amount of $16,000,000 for the construction of a waste water collection/ distribution system and a waste water treatment facility. The total principal amount drawn including capitalized accrued interest was $17,418,086. The interest rate on the note is 3.00%. Repayment of the note is in equal monthly installments of $96,600 through April, 2028. Annual debt service requirements to amortize this note as of June 30, 2012 follow:

Year	Principal	Interest	Total
2013	$ 731,315	$ 427,888	$ 1,159,203
2014	753,559	405,644	1,159,203
2015	776,479	382,724	1,159,203
2016	800,097	359,106	1,159,203
2017	824,432	334,771	1,159,203
2018-2022	4,513,906	1,282,111	5,796,017
2023-2027	5,243,430	552,587	5,796,017
2028	953,091	13,156	966,247
Total	$ 14,596,309	$ 3,757,987	$ 18,354,296

Contract CWSRF 04-007 was issued in the amount of $15,800,000 for the expansion of the sewer collection system and the expansion of the reclaimed water distribution system. Draws are made on the note as the funds are expended. During the year ended June 30, 2009, the lender cancelled the remainder of the loan commitment and began amortizing the loan. The total amount of the loan including capitalized accrued interest was $10,450,900. Payments are due in equal monthly installments of $57,960, including interest at 3.00% through February 1, 2029. During the year ended June 30, 2011, the County repaid additional principal in the amount of $2,500,000. Additionally, the lender agreed to change the equal monthly payment to $42,688. The final payment date did not change. Annual debt service requirements to amortize this note as of June 30, 2012 follow:

Year	Principal	Interest	Total
2013	$ 314,986	$ 197,269	$ 512,255
2014	324,567	187,688	512,255
2015	334,439	177,816	512,255
2016	344,611	167,644	512,255
2017	355,093	157,162	512,255
2018-2022	1,944,195	617,082	2,561,277
2023-2027	2,258,409	302,868	2,561,277
2028-2029	842,918	22,578	865,496
Total	$ 6,719,218	$ 1,830,107	$ 8,549,325

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Note 9 - Long Term Liabilities (continued)

Contract 2005-L01-WS was issued in the amount of $6,550,000 for the construction water mains for multiple developments in the county. Draws are made on the note as the funds are expended. During the year ended June 30, 2009, the lender cancelled the remainder of the loan commitment and began amortizing the loan. The total amount of the loan including capitalized accrued interest was $4,712,609. Payments are due in equal monthly installments of $29,057, including interest at 4.20% through February 1, 2029. Annual debt service requirements to amortize this note as of June 30, 2012 follow:

Year	Principal	Interest	Total
2013	$ 176,213	$ 172,466	$ 348,679
2014	184,304	164,375	348,679
2015	192,196	156,483	348,679
2016	200,426	148,253	348,679
2017	209,007	139,672	348,679
2018-2022	1,187,190	556,204	1,743,394
2023-2027	1,464,073	279,321	1,743,394
2028-2029	560,312	20,819	581,131
Total	$ 4,173,721	$ 1,637,593	$ 5,811,314

Changes in Long-term Debt - Changes in the County's long-term obligations consisted of the following for the year ended June 30, 2012:

	Outstanding 6/30/2011	Additions	Reductions	Outstanding 6/30/2012	Amounts Due in One Year
Governmental Activities					
Capital leases	$ 1,218,232		$ 348,094	$ 870,138	$ 111,552
Landfill closure and post-closure care	1,544,568	$ 30,273		1,574,841	
Compensated absences	829,479	521,918	489,393	862,004	517,202
Total Governmental Activities	$ 3,592,279	$ 552,191	$ 837,487	$ 3,306,983	$ 628,754
Business-type activities					
Notes payable	$ 29,003,413	$ 0	$ 1,319,744	$ 27,683,669	$ 1,360,177
Component Unit:					
Compensated absences	$ 39,287	$ 3,729	$ 0	$ 43,016	$ 8,603

The landfill closure and post-closure care liability of the County's governmental funds will be financed through future general fund expendable available financial sources as they become due. The capital lease to Branch Banking &Trust Company will be repaid by the County's SPLOST capital projects fund. The capital lease to Motorola, Inc. will be repaid with W-E911 fund expendable available financial resources.

The notes payable of the County's business type activities will be repaid from user fees from the related activities.

The total interest incurred for the year ended June 30, 2012, was $1,004,130, all of which was charged to expense.

Note 9 - Long Term Liabilities (continued)

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. Generally, the compensated absences liability has been liquidated by the general fund in the prior year. The capital lease obligations will be paid from the debt service fund.

Note 10 - Landfill Closure and Post-closure Care Costs

The landfill has been closed for several years and no longer accepts solid waste, however has not received certification from the Environmental Protection Division. An expense provision and related liability are being recognized based on the estimated future closure and post-closure care costs that are expected to be incurred. The estimated total current cost of the landfill closure and post-closure care of $1,574,841 is based on present value of the amount that would be paid if all equipment, facilities, and services necessary to close the landfill and monitor the landfill were acquired as of June 30, 2012. However, the actual cost may vary due to inflation or deflation, changes in technology or changes in landfill laws and regulations.

Under the agreement with federal and state authorities, the County, in order to assure that adequate resources are available to finance the landfill closure and post-closure costs, designates a portion of fund balance annually in an amount equal to the provision for the landfill closure and post-closure care costs. However, unanticipated future inflation costs and additional costs that might arise from changes in the closure and post-closure requirements due to changes in technology and regulatory standards may have to be covered by increased landfill user fees, additional taxes or both.

Note 11 - Pensions

Defined Benefit Plan

Plan Description - The Effingham County Board of Commissioners Defined Benefit Plan, (the Plan) is a single employer defined benefit pension plan administered by the Board of Commissioners through Merrill Lynch, and covers all full-time employees. The Plan provides retirement, disability and death benefits for plan members and beneficiaries. Local ordinance provides for the authority to establish and amend benefit provisions. The accounting and financial reporting functions are handled by the County finance department. The Plan's activity is reported within the County's basic financial statements as a Pension Trust Fund. The Plan does not issue a separate report.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. The County's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All Plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the Plan's Statement of Net Assets. Securities without an established market value are reported at estimated fair value.

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Note 11 - Pensions (continued)

Participant data - At January 1, 2012, the date of the most recent actuarial valuation, there were 563 participants as follows:

Active participants	356
Retirees and beneficiaries	33
Vested terminated	174
	563

Funding Policy - The Plan members are required to contribute 3% of compensation to the Plan. The County is required to contribute at an actuarially determined amount to the Plan's trust. A contribution amount is determined using actuarial methods and assumptions approved by the Plan trustees and intended to satisfy the minimum contribution requirements as set forth in controlling State of Georgia Statutes

Annual Pension Cost - The required contribution was determined as part of the January 1, 2012 actuarial valuation for the Plan using the Projected Unit Credit funding method. Under this approach, accrued liability is based on the actuarial value of accrued benefits, taking into account the projected impact of increasing salaries through anticipated retirement, termination, death, or disability from active services. Normal cost is based on the value of benefits expected to be accrued during the valuation year, again reflecting the projected impact of future salary increases. The actuarial assumptions included (a) 8.0% per year investment rate of return (net of investment expenses) and (b) projected salary increases for inflation of 5.0% per year and increases for merit or seniority of 0.5% per year. The actuarial value of net assets is based on fair market value as of the valuation date including accrued contributions and net receivables from the prior plan year, if any. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 15 years and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These periods, if applicable, are closed for this plan year.

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded (Overfunded) AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
12/31/06	$ 1,373,367	$ 1,135,318	120.97%	$ (238,049)	N/A	N/A
12/31/07	2,114,362	2,631,204	80.36%	516,842	$ 8,561,302	6.04%
12/31/08	2,770,635	2,881,596	96.15%	110,961	8,872,503	1.25%
01/01/10	3,254,312	3,548,530	91.71%	294,218	11,398,499	2.58%
01/01/11	4,604,467	4,274,887	107.71%	(329,580)	13,829,948	-2.38%
01/01/12	5,070,767	4,581,131	110.69%	(489,636)	13,513,246	-3.62%

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Note 11 - Pensions (continued)

Schedule of Employer Contributions

Year Beginning	Annual Pension Cost	Actual County Contribution	Percentage Contributed	Net Pension (Asset)/ Obligation
01/01/06	$ 1,000	$ 245,199	24519.90%	$ 0
01/01/07	117,133	454,614	388.12%	(244,199)
01/01/08	96,088	527,846	549.34%	(581,680)
01/01/09	223,218	592,954	265.64%	(1,013,438)
01/01/10	196,406	614,596	312.92%	(1,383,174)
01/01/11	153,354	649,664	423.64%	(1,801,364)

	1/1/2012
Derivation of annual pension cost	
Annual required contribution	$ 18,723
Interest discount on net pension asset	(183,814)
Adjustment to annual required contribution*	342,422
Annual pension cost	$ 177,331

*Based on a 10- year amortization, consistent with development of the annual required contribution, plus interest.

Derivation of net pension obligation	
Net pension asset measured January 1, 2011	$ 1,801,364
Annual pension income (cost)	(153,354)
Contributions	649,664
Net pension asset measured January 1, 2012	$ 2,297,674

Defined Contribution Plans

The County has adopted a proto-type 401(a) Defined Contribution Plan for Employees of Effingham County (the 401a Plan) and a proto-type 457 Deferred Compensation Plan for Effingham County (the 457 Plan) administered by the Board of Commissioners through Merrill Lynch. The County has the authority to establish the Plans or amend the adoption agreement which defines the specific provisions of the plan as provided in the proto-type document. The Plan covers substantially all employees who meet the minimum years of service requirements. The County contributes 3% of compensation to the plans and matches one-half of the employee's contribution up to an additional 3% of compensation. The total costs for the 401(a) Plan and the 457 Plan for the year ended June 30, 2012 was $553,463. Total employee contributions to the plans for the year ended June 30, 2012 was $299,389.

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Note 12 - Investment in Capital Assets, Net of Related Debt

Net assets on the Government-wide statement of net assets as of June 30, 2012 are as follows:

	Governmental Activities	Business Type Activities
Cost of capital assets	$ 168,238,365	$ 43,695,141
Less accumulated depreciation	106,988,977	6,373,102
Book value	61,249,388	37,322,039
Less capital related debt:		
Notes payable and capital leases	870,138	27,683,669
Total capital related debt	870,138	27,683,669
Investment in capital assets, net of related debt	$ 60,379,250	$ 9,638,370

Note 13 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions; and workers compensation for which the County carries the following insurance coverage.

There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

The County joined with other counties in the state as part of the Association County Commissioners of Georgia - Interlocal Risk Management Agency (IRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the County's management based on the anticipated needs. The County is required to pay all premiums, applicable deductibles and assessments billed by IRMA, as well as following loss reduction and prevention procedures established by IRMA. IRMA's responsibility includes paying claims, and representing the County in defense and settlement of claims. IRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The County has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The County is unaware of any claims which the County is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2012. No provisions have been made in the financial statements for the year ended June 30, 2012, for any estimate of potential unpaid claims.

The County has elected to be a member of the ACCG Group Self Insurance Workers' Compensation Fund (the Fund). As a participant in the Fund, the County has no legal obligation to pay its own workers' compensation claims. The County is required to make an annual contribution to the Fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the County's annual contribution, the County has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Note 14 - Contingent Liabilities

Hospital Authority – The County entered into a contract with the Hospital Authority of Effingham County dated October 19, 2010, whereby the Hospital Authority will provide indigent care to Effingham County citizens. In return, the County will provide the Hospital Authority $3,600,000 per year or approximately $300,000 per month. This payment will be financed by the County by a levy of annual tax on all taxable property located within the boundaries of the County at such rates to provide the funding, not to exceed two mills. In the event this millage rate does not generate adequate funding, the County must fund the deficit from other sources.

State and Federal Grants - The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the County believes such disallowances, if any, will be immaterial.

Litigation - The County was a defendant in several lawsuits at June 30, 2012. In the opinion of County management, the outcome of these contingencies will not have a material effect on the financial position of the County.

Note 15 - Joint Ventures

Under Georgia law, the County in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Regional Commission (CRC) and is required to pay annual dues thereto. Membership in a regional commission is required by OCGA Section 5-8-34 which provides for the organizational structure of the regional commission in Georgia. The CRC board membership includes the chief elected official of each county or municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of its regional commission. Separate financial statements may be obtained from Coastal Regional Commission, P. O. Box 2917, Brunswick, Georgia 31521.

Note 16 - Prior Period Adjustment

The beginning assets of the general fund (a major fund) and the government-wide activities have been restated to change the method for accounting for revenues from emergency medical services activities to the accrual method. The effect of this change was to increase beginning general fund accounts receivable by $1,051,774, deferred revenues by $933,311 and unassigned fund balance by $118,452. On the government-wide statement of net assets, beginning governmental activities accounts receivable and unrestricted net assets was increased by $233,259 ($1,051,774 less an allowance for doubtful accounts of $1,249,841)

Note 17 - Subsequent Events

On September 11, 2012, the County issued $14,980,000 of Association County Commissioners of Georgia Leasing Program Certificates of Participation (Effingham County Project) Series 2012 for the purpose of renovating and expanding the Effingham County Sheriff's office and jail. The lease is expected to be paid with Special Local Option Sales Tax Proceeds. The certificates are secured by the real estate of the project. Principal is due September 1 each year as follows: $2,865,000 in 2013; $2,910,000 in 2014; $2,970,000 in 2015; $3,055,000 in 2016; and $3,180,000 in 2017. Interest is payable annually at rates ranging from 2% to 4%. The total estimated cost of the project is approximately $17,000,000.

Required Supplementary Information

Effingham County, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 20,936,842	$ 21,683,041	$ 22,030,369	$ 347,328
Licenses and permits	1,100	1,100	22,230	21,130
Intergovernmental	2,367,456	2,372,456	2,497,716	125,260
Charges for services	2,445,131	2,706,938	2,974,409	267,471
Fines and forfeitures	1,166,938	1,166,938	1,280,054	113,116
Investment earnings	15,000	15,000	11,793	(3,207)
Miscellaneous	118,060	118,060	235,042	116,982
Total revenues	27,050,527	28,063,533	29,051,613	988,080
Expenditures				
Current expenditures				
General government				
Commissioners' office	305,050	337,005	334,174	2,831
Registrar	210,057	267,714	264,436	3,278
Financial administration	1,509,212	1,419,850	1,341,726	78,124
Information Technology	467,584	500,517	498,926	1,591
Tax commissioner	744,538	678,788	663,202	15,586
Tax assessor	755,053	763,441	756,617	6,824
Government buildings	519,374	595,871	588,205	7,666
	4,510,868	4,563,186	4,447,286	115,900
Judicial				
Superior court clerk's office	551,046	537,171	533,776	3,395
Superior court	643,019	619,719	602,639	17,080
District attorney's office	342,757	342,757	342,757	0
State court	271,189	273,878	268,195	5,683
Solicitor	224,319	235,991	235,585	406
Chief magistrate	309,740	289,100	282,807	6,293
Probate court	249,919	258,592	257,727	865
Board of equalization	21,550	32,050	31,253	797
Total judicial	2,613,539	2,589,258	2,554,739	34,519
Public safety				
Civil defense/emergency management	131,752	130,092	128,062	2,030
Office of sheriff				
Sheriff	5,399,089	5,744,189	5,738,533	5,656
Task force				
School resource		295,510	292,148	3,362
Jail	2,071,707	2,182,995	2,160,320	22,675
Correctional institute	3,364,740	3,553,507	3,525,707	27,800
Inmate medical	350,000	350,000	347,925	2,075
Adult probation and parole	237,463	234,771	233,706	1,065
Emergency medical services	2,351,369	2,345,584	2,344,705	879
Coroner	50,833	49,174	47,124	2,050
Animal control	149,950	160,119	156,862	3,257
Total public safety	14,106,903	15,045,941	14,975,092	70,849

Effingham County, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Public works - highways and streets	1,740,815	1,933,944	1,926,565	7,379
Health and welfare				
Department of Family and Children Services	77,708	77,708	70,835	6,873
Summer food program	18,692	18,692	13,157	5,535
Family connection grant	109,999	109,999	81,856	28,143
Senior citizens				
Title III Congregate	188,073	193,973	192,871	1,102
Title III SSBG/CBS/HDM	109,215	103,957	102,820	1,137
Total health and welfare	503,687	504,329	461,539	42,790
Culture and recreation	1,107,207	1,132,987	1,119,195	13,792
Housing and development				
Extension Service - County Agent	128,705	127,045	122,353	4,692
Conservation - Forestry	28,360	28,360	28,198	162
GIS	273,922	228,687	226,674	2,013
Total housing and development	430,987	384,092	377,225	6,867
Other agencies	1,325,235	2,118,212	2,091,018	27,194
Total expenditures	26,339,241	28,271,949	27,952,659	319,290
Excess of revenues over expenditures	711,286	(208,416)	1,098,954	1,307,370
Other financing sources (uses)				
Proceeds from sales of surplus			8,118	8,118
Interfund transfer to E-911 fund	(583,201)	(583,201)	(583,201)	0
Interfund transfer for sanitation - landfill	(128,085)	(128,085)	(128,085)	0
Total other financing sources (uses)	(711,286)	(711,286)	(703,168)	8,118
Net change in fund balance	$ 0	$ (919,702)	395,786	$ 1,315,488
Fund balance				
Beginning of year			11,172,937	
End of year			$ 11,568,723	

Effingham County, Georgia
Special Tax District Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 989,147	$ 989,147	$ 1,147,905	$ 158,758
Investment earnings			6,226	6,226
Total revenues	989,147	989,147	1,154,131	164,984
Expenditures	0	0	0	0
Excess of revenues over expenditures	989,147	989,147	1,154,131	164,984
Other financing sources (uses)				
Interfund transfers to/from:				
Building and zoning fund	(989,147)	(989,147)	(350,000)	
Total other financing sources (uses)	(989,147)	(989,147)	(350,000)	0
Net change in fund balance	$ 0	$ 0	804,131	$ 164,984
Fund balance				
Beginning of year			5,075,374	
End of year			$ 5,879,505	

Note 1 - Budgetary Information

The County adopts an annual operating budget for the general fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for the adopted annual operating budget generally is the department level.

The County Administrator may approve budget transfers within departments. Any changes to a fund total or departmental appropriation within a fund requires approval of the County Commissioners. During the year, the County Commission approved three budget revisions.

All unexpended annual appropriations lapse at year-end.

General fund payments in the amount of $2,143,275 are reported as "payments to other agencies" on the budgetary basis but are classified within functions on the GAAP basis.

Other Supplementary Information

Effingham County, Georgia
Combining Balance Sheet - By Fund Type
Non-major Governmental Funds
June 30, 2012

	Non-major Special Revenue Funds	Non-major Debt Service Funds	Total Non-major Governmental Funds
Assets			
Cash and cash equivalents	$ 3,473,587		$ 3,473,587
Receivables:			
Accounts	161,244		161,244
Interfund	114,181		114,181
Prepaid items	482		482
Total Assets	$ 3,749,494	$ 0	$ 3,749,494
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 64,089		$ 64,089
Accrued expenditures	41,868		41,868
Interfund payable	204,744		204,744
Total liabilities	310,701	$ 0	310,701
Fund balances			
Nonspendable - prepaid items	482		482
Restricted for:			
Public safety	1,605,511		1,605,511
Public works and recreation	1,260,403		1,260,403
Housing and development	61,831		61,831
Health and welfare	9,033		9,033
Committed for			
Subsequent year expenditures	108,196		108,196
Unassigned	393,337		393,337
Total fund balances	3,438,793	0	3,438,793
Total liabilities and fund balances	$ 3,749,494	$ 0	$ 3,749,494

Effingham County, Georgia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - By Fund Type

Non-major Governmental Funds

For the Year Ended June 30, 2012

	Non-major Special Revenue Funds	Non-major Debt Service Funds	Total Non-major Governmental Funds
Revenues			
Insurance premium tax	$ 1,626,136		$ 1,626,136
Licenses and permits	187,758		187,758
Intergovernmental	48,438		48,438
Charges for services	1,742,915		1,742,915
Fines and forfeitures	63,102		63,102
Investment earnings	4,371		4,371
Total revenues	3,672,720	$ 0	3,672,720
Expenditures			
Current			
Public safety	3,213,190		3,213,190
Public works - road projects	139,846		139,846
Housing and development - building and zoning	482,572		482,572
Health and welfare - senior citizens	88,999		88,999
Debt service			
Principal retirement	107,686		107,686
Interest and fiscal charges	35,461		35,461
Total expenditures	4,067,754	0	4,067,754
Deficit of revenues to expenditures	(395,034)	0	(395,034)
Other financing sources (uses)			
Interfund transfers	933,201	(160)	933,041
Net change in fund balances	538,167	(160)	538,007
Fund balances			
Beginning of year	2,900,626	160	2,900,786
End of year	$ 3,438,793	$ 0	$ 3,438,793

Effingham County, Georgia
General Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 11,068,823	$ 10,357,562
Restricted cash	170,331	172,024
Receivables:		
Accounts	1,877,997	1,928,254
Property taxes	1,685,674	2,034,793
Sales taxes	482,539	425,452
Interfund	100,000	212,665
Inventories	2,463	2,463
Prepaid items	305,329	536,076
Total assets	$ 15,693,156	$ 15,669,289
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 540,662	$ 766,902
Interfund balance	9,437	
Accrued expenditures	388,611	838,152
Performance bonds	125,657	102,990
Deferred revenue	3,060,066	2,788,308
Total Liabilities	4,124,433	4,496,352
Fund balances		
Nonspendable		
Inventories	2,463	2,463
Prepaid items	305,329	536,076
Restricted for:		
Performance bonds	44,674	69,034
Landfill closure and post-closure	1,574,841	1,543,961
Service delivery to incorporated areas:		
City of Rincon	1,562,801	2,344,201
City of Springfield	530,668	530,668
City of Guyton	276,645	414,947
Committed for		
Economic stabilization and working capital	4,200,000	4,200,000
Subsequent year expenditures	51,004	1,124,209
Unassigned	3,020,298	407,378
Total fund balances	11,568,723	11,172,937
Total liabilities and fund balances	$ 15,693,156	$ 15,669,289

Effingham County, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended June 30, 2012 and 2011

	2012	2011
Revenues		
Property taxes	$ 15,574,794	$ 16,430,064
Sales taxes	6,024,581	6,313,451
Other taxes	430,994	583,827
Licenses and permits	22,230	157,658
Intergovernmental	2,497,716	2,375,102
Charges for services	2,974,409	2,570,309
Fines and forfeitures	1,280,054	1,233,888
Investment earnings	11,793	19,694
Other revenues	235,042	182,385
Total revenues	29,051,613	29,866,378
Expenditures		
Current:		
General government:		
Commissioners' office	334,174	346,246
Registrar	264,436	300,382
Financial administration	1,341,726	1,459,620
Information Technology	498,926	554,041
Tax commissioner	663,202	734,986
Tax assessor	756,617	747,848
Government buildings	588,205	819,056
Total general government	4,447,286	4,962,179
Judicial		
Superior court clerk's office	533,776	558,384
Superior court	602,639	385,113
District attorney's office	342,757	307,888
State court	268,195	270,657
Solicitor	235,585	239,224
Magistrate court	282,807	336,232
Probate court	257,727	261,284
Board of equalization	31,253	18,391
Total judicial	2,554,739	2,377,173
Public safety		
Civil defense/emergency management	128,062	196,204
Office of sheriff		
Sheriff	5,738,533	5,912,404
School resource	292,148	
Task force		346,527

Effingham County, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended June 30, 2012 and 2011

	2012	2011
Public safety (continued)		
Jail	2,160,320	2,343,117
Correctional institute	3,525,707	3,416,863
Inmate medical	347,925	431,451
Adult probation and parole	233,706	234,372
Emergency medical services	2,344,705	2,320,789
Coroner	47,124	43,053
Animal control	156,862	186,593
Total public safety	14,975,092	15,431,373
Public works		
Highways and streets	1,926,565	2,277,893
Other agencies	284,677	
Total public works	2,211,242	2,277,893
Health and welfare		
Department of Family and Children Services	70,835	70,813
Summer food program	13,157	12,770
Family connection grant	81,856	93,666
Senior citizens		
Title III Congregate	192,871	288,531
Title III SSBG/CBS/HDM	102,820	97,716
Other agencies	298,073	330,083
Total health and welfare	759,612	893,579
Culture and recreation		
Recreation	1,119,195	1,261,817
Other agencies	588,566	290,450
	1,707,761	1,552,267
Housing and development		
Extension Service - County Agent	122,353	150,389
Conservation - Forestry	28,198	26,331
Building inspections		345,560
Zoning		347,688
GIS	226,674	297,840
Other agencies	919,702	2,250
Total housing and development	1,296,927	1,170,058

Effingham County, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended June 30, 2012 and 2011

	2012	2011
Debt Service:		
Principal retirement		71,081
Interest and fiscal charges		724
Total debt service	0	71,805
Total expenditures	27,952,659	28,736,327
Excess of revenues over expenditures	1,098,954	1,130,051
Other financing sources (uses)		
Proceeds from sales of surplus	8,118	19,882
Interfund transfer to E-911 fund	(583,201)	(210,000)
Interfund transfer to Sanitation - landfill	(128,085)	
Interfund transfer to special tax district fund		(5,000,000)
Interfund transfer to water and sewer funds		(11,531,741)
Interfund transfer from sanitation fund		1,515,688
Total other financing sources (uses)	(703,168)	(15,206,171)
Net change in fund balances	395,786	(14,076,120)
Fund balances beginning of year		
Beginning of year as previously stated	11,172,937	25,164,057
Prior period adjustment		85,000
Beginning of year as restated	11,172,937	25,249,057
Fund balances end of year	$ 11,568,723	$ 11,172,937

Effingham County, Georgia
Special Tax District Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 5,607,689	$ 5,002,929
Receivables property taxes	271,816	72,445
Total assets	$ 5,879,505	$ 5,075,374
Liabilities and Fund Balances		
Liabilities	$ 0	$ 0
Fund balances		
Restricted for:		
Special service district - unincorporated area	5,879,505	5,075,374
Total fund balances	5,879,505	5,075,374
Total liabilities and fund balances	$ 5,879,505	$ 5,075,374

Effingham County, Georgia
Special Tax District Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended June 30, 2012 and 2011

	2012	2011
Revenues		
Property taxes	$ 933,069	$ 37,105
Other taxes	214,836	35,340
Investment earnings	6,226	2,929
Total revenues	1,154,131	75,374
Expenditures	0	0
Excess of revenues over expenditures	1,154,131	75,374
Other financing sources (uses)		
Interfund transfer from general fund		5,000,000
Interfund transfer to building and zoning fund	(350,000)	
Total other financing sources (uses)	(350,000)	5,000,000
Net change in fund balances	804,131	5,075,374
Fund balances beginning of year	5,075,374	0
Fund balances end of year	$ 5,879,505	$ 5,075,374

Effingham County, Georgia
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2012

	Education	Drug Abuse & Treatment Education	Impact Fees	Drug Seizure	State Condemnation	Emergency 911	Wireless Emergency 911	Juvenile Services	County Jail	Community Trust	Fire Taxing District	Building & Zoning	Senior Citizen Activity	Total Nonmajor Special Revenue Funds
Assets														
Cash and cash equivalents	$ 40,077	$ 21,041	$ 1,260,403	$ 1,968	$ 89	$ 375,050		$ 21,974	$ 457,314	$ 4	$ 1,221,440	$ 63,752	$ 10,475	$ 3,473,587
Receivables:														
Accounts						147,384			4,480		9,380			161,244
Interfund							$ 104,219	525				9,437		114,181
Prepaid items						482								482
Total assets	$ 40,077	$ 21,041	1,260,403	$ 1,968	$ 89	$ 522,916	$ 104,219	22,499	$ 461,794	$ 4	$ 1,230,820	$ 73,189	$ 10,475	$ 3,749,494
Liabilities and fund balances														
Liabilities														
Accounts payable		$ 2,890				$ 4,137					$ 54,630	$ 2,246	$ 186	$ 64,089
Accrued expenditures						11,131					21,685	7,796	1,256	41,868
Interfund payable	$ 525					104,219	$ 100,000							204,744
Total liabilities	525	2,890	$ 0	$ 0	$ 0	119,487	100,000	$ 0	$ 0	$ 0	76,315	10,042	1,442	310,701
Fund balances														
Nonspendable:														
Prepaid items						482								482
Restricted for:														
Public safety	39,552	14,405		1,968	89		4,219	22,499	461,794	4	1,060,981			1,605,511
Public works, public safety and recreation			1,260,403											1,260,403
Housing and development												61,831		61,831
Health and welfare													9,033	9,033
Committed for														
Subsequent year expenditures		3,746			0	9,610					93,524	1,316		108,196
Unassigned						393,337								393,337
Total fund balances	39,552	18,151	1,260,403	1,968	89	403,429	4,219	22,499	461,794	4	1,154,505	63,147	9,033	3,438,793
Total liabilities and fund balances	$ 40,077	$ 21,041	$ 1,260,403	$ 1,968	$ 89	$ 522,916	$ 104,219	$ 22,499	$ 461,794	$ 4	$ 1,230,820	$ 73,189	$ 10,475	$ 3,749,494

Effingham County, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Special Revenue Funds
For the Year Ended June 30, 2012

	Education	Drug Abuse & Treatment Education	Impact Fees	Drug Seizure	State Condemnation	Emergency 911	Wireless Emergency 911	Juvenile Services	County Jail	Community Trust	Fire Taxing District	Buiding & Zoning	Senior Citizens Activity	Total Nonmajor Special Revenue Funds
Revenues											$ 1,528,136		$ 98,000	$ 1,626,136
Insurance premium taxes												$ 187,758		187,758
Licenes and permits											20,281			48,438
Intergovernmental		$ 25,457			$ 2,700	$ 828,638					906,380	7,897		1,742,915
Charges for services								$ 2,900	$ 60,202					63,102
Fines and forfeitures														
Investment earnings	$ 46	21	$ 1,555	$ 2	19	449	$ 24	24	445		1,690	64	32	4,371
Total revenues	46	25,478	1,555	2	2,719	829,087	24	2,924	60,647	$ 0	2,456,487	195,719	98,032	3,672,720
Expenditures														
Current:														
Public safety		31,025			44,000	876,211					2,261,954			3,213,190
Road projects			139,846											139,846
Housing and development building and zoning												482,572		482,572
Health and welfare - senior citizens													88,999	88,999
Debt service														
Principal retirement						107,686								107,686
Interest and fiscal charges						35,461								35,461
Total expenditures	0	31,025	139,846	0	44,000	1,019,358	0	0	0	0	2,261,954	482,572	88,999	4,067,754
Excess (deficit) of revenues over expenditures	46	(5,547)	(138,291)	2	(41,281)	(190,271)	24	2,924	60,647	0	194,533	(286,853)	9,033	(395,034)
Other financing sources														
Interfund transfers						583,207	(6)					350,000		933,201
Net change in fund balances	46	(5,547)	(138,291)	2	(41,281)	392,936	18	2,924	60,647	0	194,533	63,147	9,033	538,167
Fund balances														
Beginning of year	39,506	23,698	1,398,694	1,966	41,370	10,493	4,201	19,575	401,147	4	959,972			2,900,626
End of year	$ 39,552	$ 18,151	$ 1,260,403	$ 1,968	$ 89	$ 403,429	$ 4,219	$ 22,499	$ 461,794	$ 4	$ 1,154,505	$ 63,147	$ 9,033	$ 3,438,793

Effingham County, Georgia
Education Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 40,077	$ 39,506
Liabilities		
Interfund	$ 525	
Fund Balances		
Restricted for public safety	39,552	$ 39,506
Total Liabilities and Fund Balances	$ 40,077	$ 39,506

Effingham County, Georgia
Education Fund
Comparative Statement of Revenues and
Changes in Fund Balances
For the Years Ended June 30, 2012 and 2011

	2012	2011
Revenues		
Investment income	$ 46	$ 44
Fund balances beginning of year	39,506	39,462
Fund balances end of year	$ 39,552	$ 39,506

Effingham County, Georgia
Drug Abuse & Treatment Education Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 21,041	$ 29,168
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 2,890	$ 5,470
Fund Balances		
Restricted for public safety	14,405	16,124
Committed for subsequent year expenditures	3,746	7,574
Total fund balances	18,151	23,698
Total Liabilities and Fund Balances	$ 21,041	$ 29,168

Effingham County, Georgia
Drug Abuse & Treatment Education Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Intergovernmental	$ 22,852	$ 22,852	$ 25,457	$ 2,605	$ 22,136
Investment earnings			21	21	37
Total revenues	22,852	22,852	25,478	2,626	22,173
Expenditures					
Public safety	39,600	39,600	31,025	8,575	36,678
Deficit of revenues to expenditures	$ (16,748)	$ (16,748)	(5,547)	$ 11,201	$ (14,505)
Fund balances beginning of year			23,698		38,203
Fund balances end of year			$ 18,151		$ 23,698

Effingham County, Georgia
Impact Fees Fund
Comparative Balance Sheet
June 30, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	$ 1,260,403	$ 1,434,704
Liabilities and Fund Balances		
Liabilities		
Accounts Payable		$ 36,010
Fund Balances		
Restricted for public works, public safety and recreation	$ 1,260,403	1,398,694
Total Liabilities and Fund Balances	$ 1,260,403	$ 1,434,704

Effingham County, Georgia
Impact Fees Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With Comparative Totals For The Year Ended June 30, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Charges for services				$ 0	$ 121,661
Investment earnings			$ 1,555	1,555	1,660
Total revenues	$ 0	$ 0	1,555	1,555	123,321
Expenditures					
General government - buildings					
Road projects		150,000	139,846	10,154	227,511
	0	150,000	139,846	10,154	227,511
Deficit) of revenues to expenditures	$ 0	$ (150,000)	(138,291)	$ 11,709	(104,190)
Fund balances beginning of year			1,398,694		1,502,884
Fund balances end of year			$ 1,260,403		$ 1,398,694

Effingham County, Georgia
Drug Seizure Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 1,968	$ 1,966
Liabilities and Fund Balance		
Fund Balance		
Restricted for public safety	$ 1,968	$ 1,966
Total liabilities and fund balance	$ 1,968	$ 1,966

Effingham County, Georgia
Drug Seizure Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Intergovernmental	$ 50,000	$ 50,000		$ (50,000)	
Investment earnings			$ 2	2	$ 2
Total revenues	50,000	50,000	2	(49,998)	2
Expenditures					
Public safety	50,000	50,000		50,000	
Excess of revenues over expenditures	$ 0	$ 0	2	$ 2	2
Fund balances beginning of year			1,966		1,964
Fund balances end of year			$ 1,968		$ 1,966

Effingham County, Georgia
State Condemnation Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 89	$ 41,370
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	$ 0	$ 0
Fund Balance		
Restricted for public safety	89	31,370
Committed for subsequent year expenditures		10,000
Total fund balances	89	41,370
Total Liabilities and Fund Balance	$ 89	$ 41,370

Effingham County, Georgia
State Condemnation Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Intergovernmental	$ 50,000	$ 50,000	$ 2,700	$ (47,300)	$ 44,730
Investment earnings			19	19	64
Total revenues	50,000	50,000	2,719	(47,281)	44,794
Expenditures					
Current:					
Public safety	50,000	50,000	44,000	6,000	44,919
Deficit of revenues to expenditures	$ 0	$ 0	(41,281)	$ (53,281)	(125)
Fund balance beginning of year			41,370		41,495
Fund balance end of year			$ 89		$ 41,370

Effingham County, Georgia
Emergency 911 Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 375,050	$ 58,831
Receivables:		
Accounts	147,384	103,078
Interfund		
Prepaid items	482	4,933
Total assets	$ 522,916	$ 166,842
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 4,137	$ 3,289
Accrued expenditures	11,131	26,769
Interfund payables	104,219	126,291
Total liabilities	119,487	156,349
Fund Balances		
Unspendable - prepaid items	482	4,933
Committed for subsequent year expenditures	9,610	9,610
Unassigned	393,337	(4,050)
Total fund balances	403,429	10,493
Total liabilities and fund balances	$ 522,916	$ 166,842

Effingham County, Georgia
Emergency 911 Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Charges for services	$ 760,508	$ 760,508	$ 828,638	$ 68,130	$ 609,011
Investment earnings			449	449	63
Total revenues	760,508	760,508	829,087	68,579	609,074
Expenditures					
Current					
Public safety	1,200,562	1,200,562	876,211	324,351	809,158
Debt service					
Principal	107,686	107,686	107,686	0	
Interest	35,461	35,461	35,461	0	
	1,343,709	1,343,709	1,019,358	324,351	809,158
Deficit of revenues to to expenditures	(583,201)	$ (583,201)	(190,271)	392,930	(200,084)
Other financing sources					
Interfund transfer from general fund	583,201	583,201	583,201	0	
Interfund transfer from Wireless Emergency 911 fund			6	0 6	210,000
Total other financing sources	583,201	583,201	583,207	6	210,000
Net change in fund balances	$ 0	$ 0	392,936	$ 392,936	9,916
Fund balances beginning of year			10,493		577
Fund balances end of year			$ 403,429		$ 10,493

Effingham County, Georgia
Wireless Emergency 911 Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents		$ 1,211
Receivables:		
Accounts		37,833
Interfund	$ 104,219	65,157
Total assets	$ 104,219	$ 104,201
Liabilities and Fund Balances		
Liabilities		
Interfund	100,000	$ 100,000
Fund Balances		
Restricted for public safety	$ 4,219	4,201
Total liabilities and fund balances	$ 104,219	$ 104,201

Effingham County, Georgia
Wireless Emergency 911 Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Charges for services					$ 130,569
Investment earnings			$ 24	$ 24	50
Total revenues	$ 0	$ 0	24	24	130,619
Expenditures					
Current					
Public safety					
Debt service					
Principal				0	103,953
Interest				0	38,838
Total expenditures	0	0	0	0	142,791
Excess (deficit) of revenues over expenditures	0	0	24	24	(12,172)
Other financing uses					
Transfers out			(6)	(6)	
Net change in fund balance	$ 0	$ 0	18	$ 18	(12,172)
Fund balance beginning of year			4,201		16,373
Fund balance end of year			$ 4,219		$ 4,201

Effingham County, Georgia
Juvenile Services Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 21,974	$ 19,575
Receivables - interfund	525	
	$ 22,499	$ 19,575
Fund Balances		
Restricted for public safety	$ 22,499	$ 19,575

Effingham County, Georgia
Juvenile Services Fund
Schedule of Revenues and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Fines and forfeitures	$ 2,500	$ 2,500	$ 2,900	$ 400	$ 3,169
Investment income			24	24	20
Total revenues	$ 2,500	$ 2,500	2,924	$ 424	3,189
Fund balances beginning of year			19,575		16,386
Fund balances end of year			$ 22,499		$ 19,575

Effingham County, Georgia
County Jail Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 457,314	$ 401,119
Accounts receivable	4,480	28
Total assets	$ 461,794	$ 401,147
Fund Balances		
Restricted for public safety capital projects and debt service	$ 461,794	$ 401,147
Total liabilities and fund balances	$ 461,794	$ 401,147

Effingham County, Georgia
County Jail Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

	2012				2011
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Fines and forfeitures	$ 53,000	$ 53,000	$ 60,202	$ 53,000	$ 58,258
Investment earnings	916	916	445	916	409
Total revenues	$ 53,916	$ 53,916	60,647	$ 53,916	58,667
Fund balances beginning of year			401,147		342,480
Fund balances end of year			$ 461,794		$ 401,147

Effingham County, Georgia
Community Trust Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 4	$ 4
Liabilities and Fund Balance		
Fund Balance		
Restricted for capital projects	$ 4	$ 4
Total Liabilities and Fund Balance	$ 4	$ 4

Effingham County, Georgia
Fire Taxing District Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 1,221,440	$ 1,198,464
Accounts receivable	9,380	9,380
Total assets	$ 1,230,820	$ 1,207,844
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 54,630	$ 196,270
Accrued expenditures	21,685	50,007
Interfund payable		1,595
Total liabilities	76,315	247,872
Fund Balances		
Restricted for public safety	1,060,981	866,448
Committed for subsequent year expenditures	93,524	93,524
Total fund balances	1,154,505	959,972
Total liabilities and fund balances	$ 1,230,820	$ 1,207,844

Effingham County, Georgia
Fire Taxing District Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Insurance premium taxes	$ 1,392,703	$ 1,392,703	$ 1,528,136	$ 135,433	$ 1,450,022
Intergovernmental			20,281	20,281	1,201,536
Charges for services	916,999	972,341	906,380	(65,961)	572,649
Investment earnings			1,690	1,690	1,720
Total revenues	2,309,702	2,365,044	2,456,487	91,443	3,225,927
Expenditures					
Current					
Public safety	2,241,666	2,394,608	2,261,954	132,654	3,254,432
Debt Service					
Principal retirement					120,551
Interest and fiscal charges					4,653
Total expenditures	2,241,666	2,394,608	2,261,954	132,654	3,379,636
Excess (deficit) of revenues over expenditures	$ 68,036	$ (29,564)	194,533	$ (41,211)	(153,709)
Fund balances beginning of year			959,972		1,113,681
Fund balances end of year			$ 1,154,505		$ 959,972

Effingham County, Georgia
Building & Zoning Fund
Balance Sheet
June 30, 2012

Assets		
Cash and cash equivalents	$	63,752
Accounts receivable - interfund		9,437
Total assets	$	73,189
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$	2,246
Accrued expenditures		7,796
Total liabilities		10,042
Fund Balances		
Restricted for housing and development		61,831
Committed for subsequent year expenditures		1,316
Total fund balances		63,147
Total liabilities and fund balances	$	73,189

Effingham County, Georgia
Building & Zoning Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Licenses and permits	$ 160,483	$ 160,483	$ 187,758	$ 27,275
Charges for services			7,897	7,897
Investment earnings			64	64
Total revenues	160,483	160,483	195,719	35,236
Expenditures				
Current				
Housing and development - building and zoning	487,257	487,257	482,572	4,685
Deficit of revenues to expenditures	(326,774)	(326,774)	(286,853)	39,921
Other financing sources				
Transfers in	326,774	326,774	350,000	23,226
Net change in fund balances	$ 0	$ 0	63,147	$ 63,147
Fund balances beginning of year			0	
Fund balances end of year			$ 63,147	

Effingham County, Georgia
Senior Citizens Activity Fund
Balance Sheet
June 30, 2012

Assets	
Cash and cash equivalents	$ 10,475
Liabilities and Fund Balances	
Liabilities	
Accounts payable	$ 186
Accrued expenditures	1,256
Total liabilities	1,442
Fund Balances	
Restricted for housing and development	9,033
Total liabilities and fund balances	$ 10,475

Effingham County, Georgia
Senior Citizens Activity Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Insurance premiums tax	$ 98,213	$ 98,213	$ 98,000	$ (213)
Investment earnings			32	32
Total revenues	98,213	98,213	98,032	(181)
Expenditures				
Current				
Health & welfare - senior citizens	98,213	98,213	88,999	9,214
Excess of revenues over expenditure	$ 0	$ 0	9,033	$ 9,033
Net change in fund balances			9,033	
Fund balances beginning of year			0	
Fund balances end of year			$ 9,033	

Effingham County, Georgia
SPLOST Capital Projects Fund
Comparative Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Cash	$ 14,782,012	$ 10,950,973
Receivables:		
Sales taxes	622,632	548,970
Total assets	$ 15,404,644	$ 11,499,943
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 1,274,723	$ 313,378
Accrued expenses	117,989	
Total liabilities	1,392,712	313,378
Fund Balances		
Restricted for capital projects	13,997,502	11,186,565
Committed for subsequent year expenditures	14,430	
Total fund balances	14,011,932	11,186,565
Total liabilities and fund balances	$ 15,404,644	$ 11,499,943

Effingham County, Georgia
SPLOST Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended June 30, 2012 and 2011

	2012	2011
Revenues		
Sales taxes	$ 7,773,598	$ 8,146,373
Investment earnings	15,814	20,693
Total revenues	7,789,412	8,167,066
Expenditures		
Capital outlays		
General government	916,519	1,467,656
Public works		
Roads	2,273,988	1,064,773
Drainage	53,786	30,278
Recreation	742	282,444
Intergovernmental		
City of Rincon, Georgia	906,401	949,867
City of Springfield, Georgia	377,020	395,099
City of Guyton, Georgia	189,676	198,772
Debt service - recreation		
Principal retirement	240,408	146,124
Interest and fiscal charges	5,505	11,800
Total expenditures	4,964,045	4,546,813
Excess of revenues over expenditures	2,825,367	3,620,253
Other financing sources (uses)		
Transfer to water fund		(2,450,000)
Net change in fund balances	2,825,367	1,170,253
Fund balances beginning of year	11,186,565	10,016,312
Fund balances end of year	$ 14,011,932	$ 11,186,565

Effingham County, Georgia
Combining Schedule of Net Assets
Non-major Proprietary Funds
June 30, 2012

	Water Impact Fee	Sewer Impact Fee	Landfill	Total Nonmajor Proprietary Funds
Assets				
Current assets				
Cash and cash equivalents			$ 99,009	$ 99,009
Restricted cash	$ 28,261	$ 93,394		121,655
Receivables - interfund			1,476	1,476
Total current assets	28,261	93,394	100,485	222,140
Liabilities				
Current liabilities				
Accounts payable	10,494		9,143	19,637
Accrued expenses			9,901	9,901
Total current liabilities	10,494	0	19,044	29,538
Net assets				
Reserved for restricted assets, net of related liabilities				
Capital projects	17,767	93,394		111,161
Unrestricted			81,441	81,441
Total net assets	$ 17,767	$ 93,394	$ 81,441	$ 192,602

Effingham County, Georgia
Combining Schedule of Revenues, Expenses and Changes in Net Assets
Non-major Proprietary Funds
For the Year Ended June 30, 2012

	Water Impact Fee	Sewer Impact Fee	Landfill	Total Nonmajor Proprietary Funds
Operating revenues	$ 0	$ 0	$ 101,635	$ 101,635
Operating expenses	0	0	148,373	148,373
Operating income	0	0	(46,738)	(46,738)
Non-operating revenues (expenses)				
Impact fees	245,988	292,180		538,168
ERU charges	(128,367)			(128,367)
Investment earnings	104	206	94	404
	117,725	292,386	94	410,205
Income (loss) before transfers	117,725	292,386	(46,644)	363,467
Interfund transfers				
To segregate landfill from sanitation fund			128,085	128,085
Current year transfers	(139,800)	(289,801)		(429,601)
Total interfund transfers	(139,800)	(289,801)	128,085	(301,516)
Net change in fund balances	(22,075)	2,585	81,441	61,951
Fund balances				
Beginning of year	39,842	90,809	0	130,651
End of year	$ 17,767	$ 93,394	$ 81,441	$ 192,602

Effingham County, Georgia
Combining Schedule of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	Water Impact Fee	Sewer Impact Fee	Landfill	Total Nonmajor Proprietary Funds
Increase (decrease) in cash and cash equivalents				
Cash flows from operating activities				
Cash received from customers			$ 101,635	101,635
Cash payments to employees for services			(112,520)	(112,520)
Cash payments for goods and services			(16,809)	(16,809)
Net cash used for operating activities	$ 0	$ 0	(27,694)	$ (27,694)
Cash flows from noncapital financing activities				
Interfund receivable	0	0	(1,476)	(1,476)
Cash flows from capital and related financing activities				
Impact fees	247,988	294,780		542,768
ERU charges	(124,767)	0		(124,767)
Interfund transfers	(139,800)	(289,801)	128,085	(301,516)
Net cash provided by (used for) capital and related financing activities	(16,579)	4,979	128,085	116,485
Cash flows from investing activities				
Interest on investments	104	206	94	404
Net increase (decrease) in cash and cash equivalents	(16,475)	5,185	99,009	87,719
Cash and cash equivalents				
Beginning of year	44,736	88,209	0	132,945
End of year	$ 28,261	$ 93,394	$ 99,009	$ 220,664

(continued)

Effingham County, Georgia
Combining Schedule of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

(continued)

	Water Impact Fee	Sewer Impact Fee	Landfill	Total Nonmajor Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	$ 0	$ 0	$ (46,738)	$ (46,738)
Increase (decrease) in liabilities				
Accounts payable			9,143	9,143
Accrued expenses			9,901	9,901
Net cash used for operating activities	$ 0	$ 0	$ (27,694)	$ (27,694)

Effingham County, Georgia
Water and Sewer Operating Fund
Comparative Schedule of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 1,236,938	$ 3,409,777
Restricted cash		
Receivables		
Accounts	228,928	244,500
Interfund	1,324,481	100,000
Prepaid items	3,621	54
Total current assets	2,793,968	3,754,331
Noncurrent assets		
Deferred charges - loan costs	236,197	250,337
Capital assets		
Land	100,358	100,358
Construction in progress	1,085,767	1,485,785
Systems and equipment (net of depreciation)	19,347,960	19,858,723
	20,770,282	21,695,203
Total assets	23,564,250	25,449,534
Liabilities		
Current Liabilities:		
Accounts payable	425,082	109,467
Accrued expenses	7,236	9,734
Accrued interest payable	38,078	46,066
Customer deposits	78,885	59,798
Deferred revenue - aid in construction	4,100,499	4,185,199
Interfund payable		49,649
Notes payable	628,862	610,742
Total current liabilities	5,278,642	5,070,655
Long-term debt (net of current portion)	12,458,498	13,087,361
Total liabilities	17,737,140	18,158,016
Net Assets		
Invested in capital assets, net of related debt	7,446,725	7,746,763
Unrestricted	(1,619,615)	(455,245)
Total net assets	$ 5,827,110	$ 7,291,518

Effingham County, Georgia
Water and Sewer Operating Fund
Comparative Schedule of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Charges for services	$ 1,182,792	$ 1,156,138
Miscellaneous	5,262	7,866
Total operating revenues	1,188,054	1,164,004
Operating expenses		
Salaries	88,190	95,163
Employee benefits	47,233	52,439
Professional fees & contract services	2,103	5,125
Repairs and maintenance	13,876	15,864
Insurance	2,877	4,163
Operating supplies	69,781	54,385
Utilities	41,706	29,632
ECP Water	678,988	661,458
Water flushing	111,278	150,925
Water testing	7,720	9,316
Water Tier I	149,991	185,824
Depreciation	510,763	510,763
Other	18,296	17,100
Total operating expenses	1,742,802	1,792,157
Operating loss	(554,748)	(628,153)
Non-operating revenues (expenses)		
Capital contributions and cost recovery		10,885
Capital cost recovery repayment	(150,790)	
Investment earnings	2,360	4,023
Loss on disposition of capital assets	(400,018)	
Interest expense	(501,172)	(592,784)
Total non-operating revenues (expenses)	(1,049,620)	(577,876)
Loss before transfers	(1,604,368)	(1,206,029)
Interfund transfers		
Transfer to impact fee funds to establish funds		(162,043)
Transfers in	139,960	8,184,483
Total interfund transfers	139,960	8,022,440
Changes in net assets	(1,464,408)	6,816,411
Net assets -		
Beginning of year	7,291,518	475,107
End of year	$ 5,827,110	$ 7,291,518

Effingham County, Georgia
Wastewater Treatment Plant Fund
Comparative Schedule of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 79,231	$ 75,709
Receivables		
Accounts	14,962	13,513
Total current assets	94,193	89,222
Noncurrent assets		
Deferred charges - loan costs	266,000	282,800
Capital assets		
Land	1,286,560	1,286,560
Systems and equipment (net of depreciation)	15,435,293	16,064,963
	16,987,853	17,634,323
Total assets	17,082,046	17,723,545
Liabilities		
Current Liabilities:		
Accounts payable	27,437	32,217
Accrued expenses	10,649	15,302
Accrued interest payable	35,788	37,638
Interfund payable	1,324,481	100,000
Notes payable	731,315	709,241
Total current liabilities	2,129,670	894,398
Long-term debt (net of current portion)	13,864,994	14,596,069
Total liabilities	15,994,664	15,490,467
Net Assets		
Invested in capital assets, net of related debt	2,125,544	2,046,213
Unrestricted	(1,038,162)	186,865
Total net assets	$ 1,087,382	$ 2,233,078

Effingham County, Georgia
Wastewater Treatment Plant Fund
Schedule of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Charges for services	$ 17,115	$ 20,525
Miscellaneous	2,833	3,000
Total operating revenues	19,948	23,525
Operating expenses		
Salaries	96,392	105,911
Employee benefits	37,216	40,604
Professional fees & contract services	12,273	25,151
Repairs and maintenance	39,109	20,078
Insurance	11,027	11,161
Operating supplies	65,074	98,784
Utilities	82,388	68,975
Depreciation	629,670	629,670
Other	17,236	18,790
Total operating expenses	990,385	1,019,124
Operating loss	(970,437)	(995,599)
Non-operating revenues (expenses)		
Investment earnings	93	62
Interest expense	(465,153)	(501,806)
Total non-operating revenues (expenses)	(465,060)	(501,744)
Loss before transfers	(1,435,497)	(1,497,343)
Interfund transfers	289,801	5,931,320
Changes in net assets	(1,145,696)	4,433,977
Net assets -		
Beginning of year	2,233,078	(2,200,899)
End of year	$ 1,087,382	$ 2,233,078

Effingham County, Georgia
Sanitation Fund
Comparative Schedule of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 1,675,849	$ 1,617,521
Receivables - accounts	586	910
Total current assets	1,676,435	1,618,431
Noncurrent assets		
Capital assets		
Construction in progress	49,707	
Systems and equipment (net of depreciation)	16,394	29,489
	66,101	29,489
Total assets	1,742,536	1,647,920
Liabilities		
Current Liabilities:		
Accounts payable	312,405	384,938
Accrued expenses	16,861	31,914
Interfund payable	1,476	287
Total current liabilities	330,742	417,139
Net Assets		
Invested in capital assets, net of related debt	66,101	29,489
Unrestricted	1,345,693	1,201,292
Total net assets	$ 1,411,794	$ 1,230,781

Effingham County, Georgia
Sanitation Fund
Schedule of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Charges for services	$ 2,697,809	$ 2,700,201
Miscellaneous	13,350	9,088
Total operating revenues	2,711,159	2,709,289
Operating expenses		
Salaries	108,352	211,273
Employee benefits	49,069	78,641
Post-closure care	4,800	18,877
Solid waste collection	2,039,286	2,022,536
Solid waste collection - landfill	106,875	173,535
Recycling collection	158,885	8,523
Repairs and maintenance	15,617	18,065
Insurance	6,183	6,832
Operating supplies	25,850	26,332
Environmental programs	28,567	26,522
Utilities	1,367	5,792
Depreciation	13,095	13,095
Other	28,058	37,233
Total operating expenses	2,586,004	2,647,256
Operating income	125,155	62,033
Non-operating revenues:		
Investment earnings	55,858	40,225
Income before transfers	181,013	102,258
Interfund transfers		(1,515,688)
Changes in net assets	181,013	(1,413,430)
Net assets -		
Beginning of year	1,230,781	2,644,211
End of year	$ 1,411,794	$ 1,230,781

Effingham County, Georgia
Water Impact Fee Fund
Comparative Schedule of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents - restricted	$ 28,261	$ 44,736
Receivables - accounts		2,000
Total current assets	28,261	46,736
Liabilities		
Current Liabilities:		
Accounts payable	10,494	6,894
Net Assets		
Restricted for capital projects, net or related liabilities	$ 17,767	$ 39,842

Effingham County, Georgia
Water Impact Fee Fund
Schedule of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues	$ 0	$ 0
Operating expenses	0	0
Operating income (loss)	0	0
Non-operating revenues:		
Impact fees	245,988	67,333
ERU charges	(128,367)	(34,194)
Investment earnings	104	29
	117,725	33,168
Income before transfers	117,725	33,168
Interfund transfers		
To segregate water impact fee fund from water and sewer operating fund.		24,815
Current year transfers	(139,800)	(18,141)
Total interfund transfers	(139,800)	6,674
Changes in net assets	(22,075)	39,842
Net assets -		
Beginning of year	39,842	0
End of year	$ 17,767	$ 39,842

Effingham County, Georgia
Sewer Impact Fee Fund
Comparative Schedule of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents - restricted	$ 93,394	$ 88,209
Receivables - accounts		2,600
Total current assets	93,394	90,809
Liabilities		
Current Liabilities:		
Accounts payable	0	0
Net Assets		
Restricted for capital projects, net or related liabilities	$ 93,394	$ 90,809

Effingham County, Georgia
Sewer Impact Fee Fund
Schedule of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues	$ 0	$ 0
Operating expenses	0	0
Operating income (loss)	0	0
Non-operating revenues:		
Impact fees	292,180	69,420
Investment earnings	206	82
	292,386	69,502
Income before transfers	292,386	69,502
Interfund transfers		
To segregate water impact fee fund from water and sewer operating fund.		137,228
Current year transfers	(289,801)	(115,921)
Total interfund transfers	(289,801)	21,307
Changes in net assets	2,585	90,809
Net assets -		
Beginning of year	90,809	0
End of year	$ 93,394	$ 90,809

Effingham County, Georgia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended June 30, 2012

Probate Court	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash	$ 159,932	$ 225,261	$ 231,158	$ 154,035
Liabilities				
Due to other funds	$ 0	$ 112,360	$ 112,360	$ 0
Due to others	159,932	112,901	118,798	154,035
Total Liabilities	$ 159,932	$ 225,261	$ 231,158	$ 154,035

Superior Court Clerk	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash	$ 133,313	$ 2,507,898	$ 2,429,047	$ 212,164
Liabilities				
Due to other funds	$ 0	$ 1,331,881	$ 1,331,881	$ 0
Due to others	133,313	1,176,017	1,097,166	212,164
Total Liabilities	$ 133,313	$ 2,507,898	$ 2,429,047	$ 212,164

Sheriff's Office	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash	$ 279,302	$ 302,536	$ 364,513	$ 217,325
Liabilities				
Due to other funds	$ 0	$ 71,596	$ 71,596	$ 0
Due to others	279,302	230,940	292,917	217,325
Total Liabilities	$ 279,302	$ 302,536	$ 364,513	$ 217,325

(continued on next page)

Effingham County, Georgia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended June 30, 2012

Chief Magistrate Office	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash	$ 17,164	$ 268,063	$ 263,579	$ 21,648
Liabilities				
Due to other funds	$ 0	$ 117,670	$ 117,670	$ 0
Due to others	17,164	150,393	145,909	21,648
Total Liabilities	$ 17,164	$ 268,063	$ 263,579	$ 21,648

Probation Office	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash	$ 43,154	$ 212,825	$ 210,411	$ 45,568
Liabilities				
Due to others	43,154	212,825	210,411	45,568
Total Liabilities	$ 43,154	$ 212,825	$ 210,411	$ 45,568

Tax Commissioner	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash	$ 87,996	$ 58,309,640	$ 58,302,391	$ 95,245
Liabilities				
Due to other funds	$ 0	$ 20,649,332	$ 20,649,332	$ 0
Due to others	87,996	37,660,308	37,653,059	95,245
Total Liabilities	$ 87,996	$ 58,309,640	$ 58,302,391	$ 95,245

(continued on next page)

Effingham County, Georgia

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For The Year Ended June 30, 2012

Total Agency Funds	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash	$ 720,861	$ 61,826,223	$ 61,801,099	$ 745,985
Liabilities				
Due to other funds	$ 0	$ 22,282,839	$ 22,282,839	$ 0
Due to other governments	720,861	39,543,384	39,518,260	745,985
Total Liabilities	$ 720,861	$ 61,826,223	$ 61,801,099	$ 745,985

Effingham County, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended June 30, 2012

	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Percentage Complete
2006 Effingham County SPLOST						
Public buildings capital outlay projects	$ 8,000,000	$ 8,000,000	$ 4,200,465	$ 716,119	$ 4,916,584	61.46%
Roads, streets and bridges	16,225,000	16,225,000	5,489,207	2,273,988	7,763,195	47.85%
Drainage capital outlay projects	5,000,000	5,000,000	172,935	53,786	226,721	4.53%
Recreation capital outlay projects	4,300,000	4,300,000	815,193	742	815,935	18.98%
Vehicle and equipment capital outlay projects	3,000,000	3,000,000	814,824	5,505	820,329	27.34%
Technology capital outlay projects	1,000,000	1,000,000	766,200	200,400	966,600	96.66%
Water and sewerage capital projects	3,000,000	3,002,164	3,002,164		3,002,164	100.00%
Intergovernmental						
City of Rincon	5,830,000	5,830,000	3,597,900	906,401	4,504,301	77.26%
City of Springfield	2,425,000	2,425,000	1,496,554	377,020	1,873,574	77.26%
City of Guyton	1,220,000	1,220,000	752,906	189,676	942,582	77.26%
Total	$ 50,000,000	$ 50,002,164	$ 21,108,348	$ 4,723,637	$ 25,831,985	51.66%

Reconciliation of current year disbursements	
Total disbursements per the Schedule of Revenues, Expenditures and Changes in Fund Balances	$ 4,964,045
Amount disbursed for principal payments on debt services on assets purchased in prior year	(240,408)
	$ 4,723,637

Effingham County, Georgia

Family Connection Grant From Georgia Department of Human Resources

Schedule of Comparison of Actual Results and Budget

Contract Number 427-93-121200092-99

For the Year Ended June 30, 2012

	Actual	Revised Budget
Total contract amount	$ 42,250	$ 44,000
Revenues	$ 28,605	$ 44,000
Expenses:		
Personal services	34,899	34,900
Regular operating	3,062	3,125
Travel	1,814	2,565
Per diem fees, contracts and client services	0	
Telecommunications	1,987	2,880
Other		530
	41,762	44,000
Excess disbursements over receipts (amount due from DHR)	$ (13,157)	$ 0

Government Auditing Standards

CAINES, HODGES & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Effingham County, 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 Effingham County, Georgia, as of and for the year ended June 30, 2012, which collectively comprise Effingham County, Georgia's basic financial statements and have issued our report thereon dated June 4, 2013. Other auditors audited the financial statements of the Effingham County Board of Health, as described in our report on Effingham 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. 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.

Internal Control Over Financial Reporting

Management of Effingham County, Georgia, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Effingham 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 Effingham County, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Effingham County, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2012-01, 2012-03 through 2012-07, 2012-09 through 2012-12, 2012-14 , 2012-16, 2012-19, 2012-22, 2012-23, 2012-27, 2012-29 through 2012-32, and 2012-34 through 2012-36.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Effingham County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2012-37 and 2012-38.

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

This report is intended solely for the information and use of management, County Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caines, Hodges & Company, P.C.

Rincon, Georgia
June 4, 2013

Internal Control Findings

2012-01 Bank Balances and Reconciliations

Condition: The bank balance and the resulting bank reconciliations at June 30, 2012 included an erroneous amount for sales tax receivable.

Criteria: Internal controls should be in place to determine that the stated bank balances are properly stated.

Cause of Condition: In the year end close-out procedures an accrual was made for sales tax receivables which was recorded in the cash account instead of the "accounts receivable" account. On the bank reconciliation the amount was included as a reconciling item in "deposits in transit". The review of the bank reconciliations by the finance director did not detect this misstatement.

Effect of condition: The failure to detect a significant improper reconciling item could lead to significantly misstated financial statements. The effect of this condition was a overstatement of cash and an understatement of sales tax receivable by a significant amount. Total assets were not misstated, nor were revenues.

Recommendation: Establish procedures to ensure that bank reconciliations are reviewed and approved at the appropriate level to determine that all reconciling items are appropriate.

Management response: We concur with the finding. While a control procedure is in place for review, we recognize the importance of insuring that the finance director reviews each bank reconciliation. We will revise current procedures to insure that the finance director or a senior member of the finance staff with sufficient skill and knowledge to detect errors does review each bank reconciliation. We will demonstrate this by having each bank reconciliation approved and initialed to prevent any from being missed.

2012-02 Review of closing entries

Condition: Several closing journal entries related to grant revenue and deferred revenue were recorded incorrectly, such as deferred grant revenue recorded backwards and recorded to the wrong accounts.

Criteria: All journal entries should be adequately documented and properly reviewed to determine clerical accuracy and proper recording.

Cause of Condition: It appears the, journal entries were prepared by staff and not adequately reviewed for accuracy and completeness. The documentation to support the entry was adequate, however, the recording of the entries was in error.

2012-02 Review of closing entries (continued)

Effect of condition: The failure to properly review closing entries and determine completeness and accuracy could lead to misstated financial statements and the potential to cover fraud.

Recommendation: Enforce the County's policy for a review of all journal entries.

Management response: We concur with the finding and will enforce the County's procedure to insure review of all journal entries by the finance director or a senior finance staff member with sufficient skill and knowledge to detect incorrect entries. Additionally, we will add a verification process to insure that the resulting balance is correct.

2012-03 Financial Institution Signature Cards

Condition: The County Administrator was included on the signature cards for two accounts, the Senior Citizens Activities Program and the Landfill account, which were established in the current fiscal year. It does not appear that the inclusion of the County Administrator on these signature cards was known or approved by the Board of Commissioners.

Criteria: Internal controls should be in place that require all changes in banking relationships and authorizations on accounts be approved by the Board of Commissioners.

Cause of Condition: It has been the County's standard operating procedures for the Board of Commissioners to approve new or closed accounts as well as to approve those persons authorized to sign on the County's bank accounts. The acquiring of the signatures on the signature cards was performed by the County Clerk in her normal duties. It appears the County Administrator's name was added to the two accounts without the knowledge or approval of the Board of Commissioners.

Effect of condition: The inclusion of unauthorized persons on signature cards could result in inappropriate and unauthorized transactions occurring. Additionally, in this particular situation, there appears to be a conflict of interest due to the spousal relationship between the County Administrator and the County Clerk.

Recommendation: Enforce the County's policy requiring all authorized signatures to be approved by the Board of Commissioners. Additionally, periodically require the review of the signature cards by an independent person for adherence to the policy.

Management response: We concur with the finding and will adopt within the financial policies specific language to insure that all management personnel are aware and enforce the policy of obtaining Board approval prior to any change in the authorized signature cards.

2012-04 ***Segregation of Duties - Issuance of Invoices***

Condition: The County Clerk' office sent out various invoices for fire fees, law library charges and "Supplemental Pages, Images, Graphs, Tabular Matter, and updating Electronic Data Base Supplement Number 15 to the Code of Ordinances." These invoices were mailed directly from the County Clerk's office with emails sent to the finance department of the invoices mailed. At least one invoice for "Supplemental Pages, Images . . . " was signed by the assistant and requested that the payment, made payable to the Board of Commissioners, be addressed to the assistant. Payments for these invoices are generally received by mail or at the receptionist window (who is the assistant County Clerk).

Criteria: Internal controls should be in place which provide for an adequate segregation of duties in which the preparing/mailing of invoices and the receiving of payments for invoices should never be performed by the same person.

Cause of Condition: At this time, the County Commission has not adopted a revenue cycle procedures policy. A proper such policy would segregate the duties of preparing invoices and receiving cash. Upon inquiry of the Finance Director, it was determined this was done without her knowledge or approval, however, she had become aware of it after it had happened, and requested such invoicing be the responsibility of the Finance Department. This request has not been granted.

Effect of condition: Several risks exist from this condition: 1) The invoice may never be recorded, resulting in understated revenue and understated receivables, 2) unremitted checks and currency to the finance department for deposit would not be detected due to no receivable (which should have been recorded at invoicing) against which to match the receipt, 3) fraud - cash could be received in payment of the invoice, kept by the recipient, and this action never detected due to there being no respective receivable recorded at invoicing.

Recommendation: Adopt revenue cycle and cash policies that appropriately segregate duties such that no one person performs conflicting duties - those that when performed by one person provide opportunities to perpetrate fraud or commit errors with reasonable probability of not being detected or corrected on a timely basis. We have noted that there is a set of "procedures" in place, in the finance department, that, when followed, provide for proper segregation of duties. However, these "procedures" are violated when an employee performs duties not allotted to him/her in these duties. This particular violation resulted in improper segregation of duties. Official adoption of revenue cycle and cash policies outlining the procedures to be performed by each position could prevent these violations from occurring. For persons performing tasks related to financial transactions, specifically collection of cash, billing of customers/taxpayers, recording, authorization of, and reconciliation of transactions, require and provide training, whether in-house through someone knowledgeable of segregation of duties, or through a class provided external to the organization, in proper segregation of duties and the potential pitfalls of performing conflicting tasks.

2012-04 ***Segregation of Duties - Issuance of Invoices (continued)***

Management response: We agree with the recommendation and will direct that all invoices be issued through the finance department. Additionally, we will adopt revenue and cash management policies to specifically address internal controls within this area of work.

2012-05 ***Purchasing policy***

Condition: The purchasing policy does not effectively describe where invoices should go when received.

Criteria: Internal control procedures should be in place that dictates the flow of information through the organization, including vendor invoices. These procedures should incorporate an adequate segregation of duties as it relates to purchases and accounts payable.

Cause of Condition: The purchase policy as passed does not include wording that stipulates the flow of purchasing related documents through the organization. Currently, some vendor invoices are directed to department heads.

Effect of condition: Risk of unrecorded liabilities, unauthorized purchases or invoices being be held by the department head either by neglect or in an attempt to manipulate activity comparisons to budget.

Recommendation: Revise the purchasing policy to stipulate the flow of purchasing-related documents throughout the organization. Upon initiation of a purchase request, purchase requisition should flow from the department head to the purchasing agent, who processes the purchase by sending the purchase order to the vendor and then sends copies of the purchase order to the department head and accounts payable. The vendor sends the materials to the department and. Ideally, there would be a separate receiving department independent from all other departments, but the County does not have such a department. The vendor also sends ALL INVOICES to ACCOUNTS PAYABLE. The department prepares a receiving report noting differences, if any, between what was ordered and what was received. The receiving report is then sent to accounts payable who, prior to authorization of payment, reconciles the purchase order it received from the purchasing agent, the receiving report it received from the receiving department, and the invoice it received from the vendor.

Management response: We will amend the existing purchase policy, procedures and guidelines within departments and distribution of mail to clearly articulate the roles and responsibilities for delivery of invoices directly to the accounts payable department.

2012-06 Grant Policy Violations

Condition: There appears to be a pervasive pattern of violations of the grant policy. The finance director does not appear to have been either included or involved in important parts of the grant application and agreement process for numerous grants.

Criteria: The approved County grant policy requires the finance director to receive grant documentation at least 3 working days prior to the agenda deadline on which the grant will be presented to the Board of Commissioners in order to assess the ability of the County to administer the grant.

Cause of Condition: The grant policy of the County was not followed. Because of this violation, on numerous occasions, concerns of the Finance Director related to specific grant provisions were not addressed in staff reports or were mentioned in open session by the finance director.

Effect of condition: Risk of involvement in grants for which the County cannot administer, or of noncompliance with grant requirements due to finance not being aware of obligations. Additional risk of inaccurate grant agreements and MOUs (i.e., describing procedures other than those actually performed). We noted correspondence indicating that the finance director had requested access to these documents when she was made aware of them; however, it appears that such access was either not given or was given AFTER the agenda had been set.

Recommendation: Require all staff performing grant procedures as well as all department heads to read the grant policy and possibly sign a statement acknowledging their responsibilities as specified in the grant policy. Specifically, for the Board of Commissioners: require that prior to approval of grant applications, MOUs, and awards, the signature of the County Administrator and the Finance Director accompany the related documents indicating that each has had ample time (per the grant policy at least 3 working days prior to the agenda deadline) to perform their respective responsibilities pertaining to the document. Additionally, require all concerns which would require corrections that were not made be included in a staff report related to the grant.

Management response: We will implement the recommendations regarding this by requiring all staff involved in the grant process to acknowledge their responsibilities regarding the grant policy by signature. We will request that the administrator and finance director signatures are on presentation documents to indicate review and concurrence with information presented in agenda documentation.

2012-07 ***Grant in a Related Party Transaction***

Condition: A grant was proposed, applied for, and initially pursued with a party related to a commissioner with (1) no disclosure to the public when brought up in open session, (2) doubt as to whether it was disclosed to the other commissioners in executive session, (3) no disclosure with the related grantor agency, and (4) other essential details such as the potential profit for the related parties were never mentioned publicly or in executive session. Furthermore, the related commissioner was present during the executive session. Additionally, some essential details in the grant application appear to be misleading. It appears that at least one commissioner was unaware of his responsibilities concerning conflicts of interest. The grant policy was also violated if not completely ignored. Finally, depending on the interpretation of the Georgia code and the county's conflict of interest policy, either may have been violated or would have been violated had the transaction been completed.

Criteria: Georgia state law emphasizes transparency in transactions and has specific protocol to be followed when engaging in the sale of real estate to a related party. Transparency concerning the activity surrounding the grant appears to be absent and or at least severely compromised. Commissioners and management need to be fully aware of their responsibilities concerning conflicts of interest upon entrance into office or employment with the County. Ensuring transparency should be a matter of highest importance in every agenda item. Finally, federal and state grant programs (this appears to be both) require disclosure of conflicts of interest.

Cause of Condition: The condition was caused by a failure to follow proper protocol for disclosing conflicts of interest and related parties as well as the County grant policies. Additionally, there was a lack of due diligence on the part of the administrative staff in identifying the parties involved and communicating to the Board of Commissioners and the public.

Effect of condition: This allows the potential for transactions with related parties which could result in conflict of interest. The circumstances of this particular event allowed the party with a conflict of interest to improperly influence the Board's decisions concerning the transaction. Due diligence and proper communication to the Board was not performed by the administrative staff, which resulted in accusations of collusion. Finally, this condition results in a lack of transparency on behalf of the Board.

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2012-07 ***Grant in a Related Party Transaction (continued)***

Recommendation: (1) Require that upon admission into office, all commissioners understand the implications of the opportunity or temptation to profit from the County's business, that the responsibility for disclosing conflicts rests on the individual commissioner(s), and that any commissioner remove him(her)self from any meeting during which discussion and/or vote takes place concerning any transaction or party with which (s)he has a conflict of interest. (2) Require that administrative staff be vigilant to make every reasonable effort to identify potential related parties in the early phases of contract and transaction development so as to assist in protecting the commissioners in preventing an opportunity or temptation to benefit from the public's business. This could be spelled out in the job description. Realize, however, that the ultimate responsibility for declaring related parties rests on the related officer or employee. (3) Before the approval of any item related to a grant, whether in open or executive session, ensure that the staff report related to the recommendation acknowledges receipt of an assessment of the grant from the finance director related to her responsibilities concerning the grant and includes any comments or concerns expressed therein. Otherwise, require a staff report to be submitted by the finance director in addition to the county administrator's staff report for all grant items on the agenda. (4) In all grant applications, whether prepared by the County or on behalf of the County, disclose all related parties involved and any other conflicts of interest that may exist. (5) Obtain a legal opinion from a competent attorney independent in respect to Effingham County, Georgia concerning the proper procedures to be performed concerning related party transactions concerning (a) real estate, (b) personal property, and (c) services performed. (6) Modify the county policy to include language conforming to the legal opinion obtained or to forbid related party transactions altogether (more transparent, conforms more closely to the State's law concerning itself). (7) In all County activity, foster an environment of transparency rather than an environment or appearance of concealing details to push through a transactions.

Management response: Prior to the date of these findings the "County" recognized this issue. As such, the County attorney has written a letter of recommendations and responsibilities to the Board of Commissioners regarding this issue. It has been presented and reviewed with each of them. Each commissioner and senior administrative staff member has been made aware of their responsibility. The county will request a written legal opinion regarding related party transactions and process procedures will be developed in order to comply with Georgia law and insure transparency regarding such transactions.

2012-08 ***Other Related Party Transactions***

Condition: Transactions are being conducted with parties related to at least one of the commissioners. For the transactions in question, proper request for proposal was not obtained, nor was proper approval noted in the Board of Commissioners minutes.

Criteria: County policies and State of Georgia provide certain requirements for transactions with related parties.

2012-08 ***Other Related Party Transactions (continued)***

Cause of Condition: Related party transactions were entered into, with a lack of understanding or potentially disregard for County policy and state law.

Effect of condition: The transactions with the related parties was in violation of County policies and potentially in violation of state law, case law or opinions of the attorney general.

Recommendation: Require all County officials, and key employees to read and represent that they understand the County policies and state law as it relates to related party transactions.

Management response: We will comply with the recommendations to have all County Officials and key employees read and represent that they understand the County policies and state law as it relates to related party transactions. Where related party transactions exist, the Board will be informed of their existence in writing and agenda documents will include the representations for public knowledge and transparency. Additionally on an annual basis we will create a list of potential related parties and or entities so that staff is aware of potential related parties.

2012-09 ***Loss of Qualified Local Government Status***

Condition: During the current fiscal year, the County lost its Qualified Local Government (QLG) status associated with its Capital Improvement Element (CIE) and Short Term Works Program (STWP) submitted to the Regional Development Center and approved by the Georgia Department of Community Affairs (DCA).

Criteria: Policies and procedures should be in place to follow up on all matters that have a material affect on the operations of the County and adequate information provided to the Board of Commissioners.

Cause of Condition: The QLG status was lost due to not having officially accepted the CIE that the state approved six months prior (in October 2011). Administrative staff communicating with the Board of Commissioners did not communicate this to the Board. It is apparent, that multiple administrative personnel throughout the County were aware of these circumstances, but these were not the personnel responsible for communicating with the Board; to do so would be circumventing prescribed authority.

Effect of condition: Loss of QLG status can affect the County's ability to collect impact fees. Additionally, loss of QLG status disqualifies an entity from participating in various programs offered through the DCA, Georgia Department of Natural Resources, Georgia Environmental Finance Authority and the One Georgia Authority. Management operates on behalf of the board of Commissioners to run the County affairs and is therefore accountable to the Board to inform it of

2012-09 Loss of Qualified Local Government Status (continued)

details material to those operations on a timely basis. Included in that necessary information would be the loss of QLG status and a plan for how to regain the status and prevent such circumstances from recurring.

Recommendation: (1) Develop procedures to ensure that all CIE and SWTP submissions are followed up on to determine that they were approved on a timely basis and investigate when time gaps are greater than expected. (2) Require administrative staff to inform the Board of all information pertinent to the Board on a timely basis.

Management response: We will implement the recommendation by amending our financial policy documents to prescribe written notification to the Board of Commissioners of any violation or instance of non-compliance regarding local, state and federal regulation within 30 days of receipt of such a notification.

2012-10 Contract overages

Condition: The County made payments on invoices to a vendor which included unexplained contract overages.

Criteria: Internal control policies should include procedures that require all contract overages to be approved at the appropriate level before invoices for these amounts are paid.

Cause of Condition: Invoices for engineering services were presented for payment in excess of the contract amount. Invoices were forwarded from the purchasing department to the County Administrator for further review. The Finance department followed up with various spreadsheet analysis. There is an apparent override of controls by forcing disbursements for unbudgeted expenditures (after being informed of the overages). It was apparent the County Engineer was not involved in the process. Upon inquiry, it was determined that the County Engineer would not approve the invoices because he did not believe that the construction company had fully performed the services that the County was being billed for. It has been indicated that the payment was made because there were under-billings on other contracts, however, the vendor was not requested to correct and re-bill the invoices.

Effect of condition: County purchasing policy was violated, and the County may have (1) paid for services that it did not receive and/or (2) paid inflated prices for services rendered, and did pay in excess of approved contracts.

2012-10 Contract overages (continued)

Recommendation: Require the oversight of construction projects to be delegated to the appropriate County engineer. Additionally, enforce County policies that all contract overages be approved at the appropriate level. In this case, the overages should have potentially resulted in a contract amendment to be approved by the Board of Commissioners. Check signers should review check documentation in detail to determine such overages are not occurring. Include procedures in the purchasing policies to require all contract overages to be presented to the Board of Commissioners for approval.

Management response: We will implement the recommendation by amending our purchasing policy documents to prescribe: 1) The finance director and or administrator must make written notification to the Board of Commissioners for any contract overages. 2) Provide direction to the finance office not to proceed with payment of contract overages unless specifically directed in writing by the Board of Commissioners to do so.

2012-11 Keep Effingham Beautiful

Condition: A portion of rebate proceeds from the County recycling program is deposited in the account of "Keep Effingham Beautiful", which was set up as an incorporated not-for profit organization. The organization lost its corporate status and it's not-for-profit status many years ago. The account has been maintained by two County sanitation employees with no oversight from the finance department. The account is not included in the accounting records of the County.

Criteria: Procedures should be in place to ensure all County funds are properly accounted for.

Cause of Condition: A contract was entered into calling for contract revenues to be remitted to a "non-entity" whose accounts were maintained by two employees of the County. It was noted that the Finance Director requested an agency agreement with Keep Effingham Beautiful, however the County Administrator stated that such an agreement was not necessary since it was an "agency/department" of the County. The entity is not an "agency/department" of the County.

In 2012, one of the Sanitation employees died. Prior to her death, all activity in the amount was controlled by her. Subsequent to her death, the County Clerk became involved with the account, at which time the monthly bank statements began to be received by the County Clerk. The employee remaining in the sanitation department, not involved in the finance department and therefore not aware of proper internal controls as they pertain to the handling of cash accounts assumed responsibilities of making deposits as they came in and making disbursements via purchasing card, only after seeking the approval of the County Clerk. Any reconciliation procedures that take place are performed by the County Clerk. Statements are not forwarded to finance, and authorization of disbursements was never directed to the appropriate County personnel.

2012-11 Keep Effingham Beautiful (continued)

Effect of condition: The effect of the condition is to create a potential understatement of revenues, and an understatement of expenses. This condition could also lead to potential misappropriation of funds due to the depositing of funds in accounts maintained by County employees not under the control of the Finance Department.

Recommendation: Require all cash accounts which handle County funds to be brought under the oversight of the Finance Department and subject to the same internal control policies as all other cash accounts and approval guidelines per the purchasing policy. Ensure that employees dealing with any area of handling any aspect of cash accounts (receipt; custody; recording; reconciliations; disbursement with purchase card, fuel card, travel card, etc.) are properly educated on internal control policy.

Management response: We will implement the recommendation by formally adopting a cash management policy which prohibits such activity and requires the administrator and finance director to demonstrate that monitoring and education is addressed on an annual basis. Further, any staff or employees dealing with handling any aspect of cash accounts (receipt, custody, recording, reconciliations, disbursement, fuel card and or travel card) will be required to acknowledge this policy by signature. Education materials will be posted on the Counties intranet sight as a resource.

2012-12 Keep Effingham Beautiful Other Recycle Revenues

Condition: Sanitation revenues resulting from the sale of materials dropped at the Effingham County Landfill have been deposited in the "Keep Effingham Beautiful" account.

Criteria: Revenues resulting from the sale of recyclable material dropped at Effingham County Landfill are restricted to and should be deposited in the Effingham County Sanitation account (a department of the County). These revenues are not approved to be remitted to "Keep Effingham Beautiful".

Cause of Condition: Lack of oversight of the activities of sanitation department employees charged with the responsibility of selling recyclable material from the Effingham County Landfill.

Effect of condition: The effect of this condition is the intentional or unintentional conversion of Effingham County Sanitation revenues for the purpose of funding "Keep Effingham Beautiful" as well as the understatement of Effingham County Landfill revenues and the potential misappropriation of funds.

Recommendation: Require stricter oversight of the operations of the Sanitation department as it relates to recyclable products which are sold. Perform procedures, either internally or contracted to determine the nature and extent of the irregularities surrounding "Keep Effingham Beautiful".

2012-12 Keep Effingham Beautiful Other Recycle Revenues (continued)

Management response: We will implement the recommendation by formally adopting cash management policy which prohibits such activity and requires the administrator and finance director to demonstrate monitoring and education is addressed on an annual basis. Further, any staff or employees dealing with handling any aspect of cash accounts (receipt, custody, recording, reconciliations, disbursement, fuel card and or travel card) will be required to acknowledge this policy by signature. Education materials will be posted on the Counties intranet sight as a resource.

2012-13 SPLOST Expenditure

Condition: SPLOST expenditures were made for a capital project before being approved by the Board of Commissioners as a SPLOST project.

Criteria: Expenditures from SPLOST fund should only be made after the project has been approved by the Board of Commissioners as a SPLOST project.

Cause of Condition: The construction of the "Goshen Station" was approved by the Board of Commissioners as a SPLOST project, however, furnishings were not included in the project. The total cost of the furnishings requested to be added to the SPLOST project list was $5,000. When presented to the Board of Commissioners, it was represented that none of the expenditures for furnishings had yet occurred, when in fact in the prior month approximately $1,100 had been disbursed. When questioned about the necessary expenditures and the coordination with a service delivery agreement with one of the municipalities, the response was "We'll review the contract before we will make any purchases", when in fact purchases had already been made. Although the amount in not a material amount, the statements could be considered misleading to the Board of Commissioners.

Effect of condition: Internal controls that the County has put in place may be rendered ineffective by management override.

Recommendation: Establish procedures in purchase policy that require known management override of controls to be reported to persons with appropriate authority to resolve the issue (potentially the Board of Commissioners).

Management response: We concur with the need to insure statements are not misleading. We currently have a budget policy in place to request board approval of project changes. We will continue to work with staff to educate all staff in procurement, purchasing, and budget appropriation policies. We will update our policy procedures in these areas to address and direct staff to report in written form management overrides to the administrator and board of commissioners.

2012-14 Grant Policy Violations - Inaccurate Information

Condition: (1) The grant policy requiring substantial time for review of grant documents was violated in the passing an MOU for Historic Effingham Society. (2) The Finance Director provided feedback on the grant which was excluded from the MOU presented to the Board of Commissioners and this information was brought to the attention of the Board in open session by the Finance Director.

Criteria: The grant policy requires all grants to be submitted to the County Administrator and the Finance Director for review for specific aspects of the grant dealing with the County's obligations under the grant and the ability of the County to administer the grants. This is to be done 3 working days prior to the item being placed on the agenda to allow the parties involved to have adequate time to perform a complete review of the documents.

Cause of Condition: The grant policy was violated, inaccurate information was initially provided to the Board of Commissioners, and incorrect information was presented in open session by the County Administrator and the Director of Community Relations. The MOU was presented to the Board without the requested changes of the Finance Director. These were brought to the attention of the Board by the Director of Community Relations after being questioned by the Finance Director. Statements were made by the Director of Community Relations that the changes were covered in the Appendix of the grant document. The County Administrator stated that all of the changes were covered under the County's grant and purchasing policy. Both of these statement were not correct. The MOU was approved with corrections requested by the Finance Director.

Effect of condition: Risk of involvement in grants for which the County cannot administer and of noncompliance with grant requirements due to finance not being aware of obligations. Additional risk of inaccurate grant agreements and MOUs (i.e., describing procedures other than those actually performed). If this grant had been approved as presented, the County may not have been provided with the necessary documentation to substantiate disbursements under the grant.

Recommendation: Require all staff performing grant procedures as well as all department heads read the grant policy and possibly sign a statement acknowledging their responsibilities as specified in the grant policy. Specifically for the Board of Commissioners: require that for approval of grant applications, MOUs, and awards, the signature of the County Administrator and the Finance Director accompany the related documents indicating that each has had ample time (per the grant document, at least 3 working days) to perform their respective responsibilities pertaining to the document. Staff making statements about what is or is not included in the grant document should fully understand the commitments the County is making and the County's ability to enforce its policies on sub-recipients under the terms of the grant document.

2012-14 ***Grant Policy Violations - Inaccurate Information (continued)***

Management response: We concur with the need for additional time to review and perform the respective responsibilities. While procedures have been in place regarding grants, Effingham County formally adopted the grant policy this past year. Staff is and has been working to develop complete MOUs for the various grants the county manages. In order to insure the policy is followed we will incorporate within the process a signoff procedure to accompany grant documents as they progress through the agenda process.

2012-15 ***Segregation of Duties - Handling of Vendor Invoice Discrepancies***

Condition: There appears to be an improper segregation of duties in that the County Clerk and Director of Community Affairs became involved in the handling of a vendor billing discrepancy related to water services.

Criteria: Internal control procedures should be in place that require vendor discrepancies be investigated and reconciled by the accounts payable department.

Cause of Condition: As noted previously, the purchase policy does not determine where vendor invoices should be directed. In this particular instance, the County Clerk and the Director of Community Relations received water invoices from the City of Springfield which appeared to include overbillings on several accounts. It appears that the County Clerk and the Director of Community Relations assumed responsibilities failed to refer the issue to the appropriate personnel, and investigated the issue themselves.

Effect of condition: Unnecessary time (County cost) spent in improperly performing tasks that ultimately had to be re-performed by the appropriate personnel (finance); circumvented and/or violated internal controls.

Recommendation: In the area of financial transactions, require functions of staff to be limited to the their job descriptions, and require that all inquiries of vendor invoice discrepancies be investigated by the accounts payable department.

Management response: We concur with the need for structure and adherence in work protocol. Management realizes the need to insure that additional work is not created and the risk potential in not discovering discrepancies. Management will continue to evaluate the situation and minimize these issues where possible.

2012-16 Financial Policy Updates

Condition: Based on documentation obtained, the Finance Director has been requesting updates to various policies since 2008. These policies include "internal control policy," "financial statement policy," "cash management policy," and "project management policy." The Finance Director has been unable to get these policies placed on the County Commission agenda.

Criteria: Policies and procedures should be periodically updated to meet changing environments and circumstances. The County has began adopting such policies in the form of a resolution.

Cause of Condition: Apparent lack of consideration of the importance of updated accounting and internal control policies.

Effect of condition: The effect of this condition indicates a failure to assess the various areas of risk related to internal control and financial reporting.

Recommendation: Require internal control and various accounting policies and procedures to be periodically evaluated and updated as necessary. Also require these policies to be reviewed by personnel related to the various policies and signed by the personnel indicating that the policies were received and read.

Management response: We concur with the need to continuously review and or update the various areas regarding financial policy. The County has updated and adopted its budget, purchasing and grant policies. We have not updated the framework or contents of the general financial policy document which includes revenue and cash management, accounting and reporting, debt management, financial statement internal controls, and the investment policy. We recognize the need for management to demonstrate its commitment to insure compliance with local, state and federal laws and to resolve those items which may be in conflict with current practice or other newly adopted policy. We will review and update the current financial policy documents.

2012-17 Improper authorization to begin work

Condition: It appears the Director of Community Relations authorized work to begin on the sprayfield which had only been approved as being part of the Short Term Works Program. The beginning of the actual project had not yet been approved or budgeted. Correspondence indicates the intent was to use SPLOST funds to cover the expenditures of the project, however, there was no approval to use SPLOST funds for this project. Additionally, the costs for this project was incorrectly charged to general fund - public works, rather than the Sewer fund.

2012-17 Improper authorization to begin work (continued)

Criteria: Internal control procedures should be in place to determine that a project is properly approved and budgeted before work on the project begins and if it is a SPLOST project that it is properly approved by the Board of Commissioners as such and that adequate funding exists.

Cause of Condition: It appears that inappropriate assumptions were made as to the approval and funding of the project.

Effect of condition: The effect of this condition is the potential to expend unbudgeted funds for an unapproved project. If in fact SPLOST funds were disbursed there would be implications of a violation of State law. Additionally, general fund expenditures are overstated and Sewer fund expenditures are understated.

Recommendation: Require documentation of approval of a project before beginning the project and that the project is adequately budgeted. If the project is intended to be a SPLOST project, document that the project has been approved by Board of Commissioners as such.

Management response: We will continue to work with offices to educate the proper sequence of events with regard to project approval and appropriation of funds. To the extent possible we will demonstrate this by providing specific project description when appropriating funds. Where appropriations are not specific we will gain proper authorization from the board of commissioners prior to proceeding. We will require the public works director and project manager to demonstrate approved funding and notify the finance department of the project to insure the proper recording of expenditures within the correct fund.

2012-18 Inappropriate approval of transactions

Condition: Periodically, the Director of Community Relations performs duties which are outside of his job description and could result in a conflict or removal of segregation of duties. Included in these would be a) investigation of vendor invoice discrepancies (previously mentioned), and b) authorization of animal control fees refund, involved in Family Connection Grant reimbursement grant approval.

Criteria: Internal control include procedures for handling various activities around the County and include individuals responsible for various functions in order to promote an adequate segregation of duties. These procedures should be followed and financial related responsibilities should not be performed by staff persons that would cause inaccurate information or a lapse in the segregation of duties.

Cause of Condition: Staff performing duties outside of their job description or outside of normal policies and procedures.

2012-18 ***Inappropriate approval of transactions (continued)***

Effect of condition: Risk or improper authorization of transactions leading to improper revenue and expense recognition

Recommendation: Require all transactions and approvals to be performed within the authority of standard policies and procedures and staff persons job description.

Management response: We understand the concern of staff exercising it's own judgment in handling of various daily transactions. Staff was directed to oversee some of the items. We concur there is a need to develop operational protocol and cash management procedures. We will continue to work with offices and staff to educate and develop standard operating procedures. Additionally, we will adopt revenue and cash management policies to address internal controls within this area of work and other departments to insure inappropriate actions or improper authorizations of transactions do not occur.

2012-19 ***County Clerk performs duties outside of job description***

Condition: The County Clerk has engaged in a number of activities outside of the normal activities of a County Clerk, which has resulted in indications of a conflict of interest.

Criteria: Procedures are in place in the County which allow for a segregation of duties which reduce the risk of fraud or undetected errors. Adequate internal control procedures should be in place to ensure that segregation of duties is maintained and conflicts of interest are removed.

Cause of Condition: The County Clerk has performed activities outside of her job description, either at the direction of the others or of her own accord. These activities include 1) issuing invoices for various county services, while receiving cash receipts, 2) making purchases for departments other than the County Commissioners, 3) responsible for administration of fuel purchase cards, 4) becoming involved in the resolution of water billing issues from City of Springfield, 5) directing IT staff in the setup and modification of software application menus, 6)placing unapproved names on signature cards, 7)placing herself on the commercial deposit processing agreement with BB&T allowing her to deliver and receive deposit processing bags and to execute or receive receipt for those bags, 8)submitted Family Connections grant reimbursement requests to the County Administrator rather than allowing them to go through the Finance Department for determination of adequate documentation, 9) requested accounts to be added to the BB&T monthly disc, which resulted in charges to the County in order to facilitate responses to opens records requests without the knowledge of the finance director or County Administrator, 10) administers the Summer Food Program, which has annual audits which the Finance Department was not aware of, 10) accepted receipt of the "Keep Effingham Beautiful Account" instead of immediately turning over the documents to the Finance Department.

2012-19 ***County Clerk performs duties outside of job description (continued***

Effect of condition: Risk of improper authorization of transactions, reduction in the segregation of duties necessary for proper internal controls and consumption of time necessary to perform the duties assigned in the County Clerk job description.

Recommendation: Require the County Clerk duties to be maintained within the context of a typical County Clerk in the State of Georgia. A good source of guidance is the *Handbook for Georgia County Commissioners* by Betty J. Hudson and Paul T. Hardy. Those duties that are not typical of a county clerk should be removed from her position and assigned to the appropriate department.

Management response: We understand the concern of staff exercising it's own judgment in handling of various daily transactions. The Clerk was directed to oversee some of the items. We concur there is a need to develop operational protocol in this area, due to what staff may perceive is apparent or perceived authority by the clerk to direct personnel. Additionally we will implement a process whereby such issues may be directed to the board in order to provide a mechanism to acknowledge such issues without fear of repercussions.

2012-20 ***Board of Commissioners meeting agenda policy not consistently enforced.***

Condition: The agenda policy for the meeting of the Board of Commissioners is not consistently enforced.

Criteria: The County has established a policy for a deadline by which requests for items to be included in the agenda must be provided and the submission of the documentation to be included. Items that are submitted after this deadline must be approved by the Board of Commissioners to be added to the agenda. This policy is not consistently enforced.

Cause of Condition: The County Clerk, per the normal duties of a county clerk, prepares the agenda of the Board of Commissioners meetings. The County Administrator, per the normal duties of a county administrator approves items to be put on the agenda. There exists a deadline by which no documents are to be put on the agenda. We noted on several occasions that items are added to the agenda though the related documents are not submitted until after the deadline; therefore the deadline is not consistently enforced.

Effect of condition: Appearance of partiality of determining agenda items because of the inconsistent treatment of agenda requests. Additionally, appearance of a conflict of interest between the County Clerk (prepares agenda) and the County Administrator (approves agenda), who is her spouse, by applying pressure to add items to the agenda after the deadline. The most noticeable inconsistencies are the adding of grants to the agenda when the grant documents were not finalized prior to the agenda deadline.

2012-20 ***Board of Commissioners meeting agenda policy not consistently enforced. (continued)***
Recommendation: Require the agenda deadline to be consistently applied.

Management response: We concur there is a need to develop operational protocol in this area, due to what staff may perceive is inconsistent treatment of agenda requests. Management will continue to evaluate the situation and minimize these issues where possible.

2012-21 ***Maintenance of meetings of Board of Commissioners***
Condition: The original minutes of the meetings of the Board of Commissioners are not timely bound properly referenced and securely stored on a timely basis. The minutes have only been bound through 2009-2010 and the original minutes have numerous references to "minute book page _____" with the page number open because the minutes have not been completed and bound.

Criteria: The official minutes of the meetings of the Board of Commissioners should be completed and signed as soon as possible subsequent to the approval of the Board of Commissioners. Additionally, All documents should be properly cross-referenced.

Cause of Condition: The County Clerk has not had time to complete the binding of the minutes, possibly because of other activities performed unrelated to the traditional duties of the County Clerk.

Effect of condition: Potential violation of state law requiring adequate recording and storage of minutes.

Recommendation: Require the minutes of the meetings of the Board of Commissioners to be bound and stored immediately upon approval by the Board of Commissioners.

Management response: We concur there is a need to develop operational protocol and monitoring to insure that minutes of meetings and supporting documents are bound and stored timely. Staff will be requested to report to the board of commissioners on a monthly basis the status of the minute books.

2012-22 ***Proposed lease to Board of Commissioners***
Condition: A proposed lease was presented to the Board of Commissioners which failed to disclose all information necessary to make an informed decision on the lease.

Criteria: In the presentation of contracts to the Board of Commissioners, management should provide all information necessary for the Commissioners to make an informed and educated decision on the contract, especially in the areas of cost and liability.

2012-22 Proposed lease to Board of Commissioners (continued)

Cause of Condition: The contract in question is related to a lease in the County's name of a parcel of private property to allow a local third party organization to use for a local event. All information necessary for the Board of Commissioners to make an informed decision was not presented. Only after inquiry from the Commissioners was the full extent of the cost and exposure of the contract disclosed. Additionally, it was not mentioned in the discussions that the director of the organization hosting the event was the spouse of one of the commissioners.

Effect of condition: This condition could lead to the County entering into agreements in which the County may incur costs or liability in excess of their initial intention.

Recommendation: Enforce the County's procedures to require a detail analysis of scope of work necessary under a contract with a cost analysis.

Management response: Prior to the date of this finding the "County" recognized the need to provide additional guidance regarding these issues. As such, the County attorney has written a letter of recommendations and responsibilities to the Board of Commissioners regarding related party transactions. It has been presented and reviewed with each commissioner. Each commissioner and senior administrative staff member has been made aware of their responsibility. The county will request a legal opinion regarding related party transactions and process procedures will be developed in order to comply with Georgia law and insure transparency regarding such transactions. Additionally, the Board of Commissioners has instructed staff to make full disclosure of all cost associated with a project to include purchases, materials, labor and oversight of such projects.

2012-23 Apparent Conflict of Duties on Staff

Condition: There appears to be an apparent conflict of interest related to the duties of the County Administrator and the County Clerk concerning their spousal relationship.

Criteria: The County personnel policy includes provisions that prohibit the employment of persons in the same department being married. The County should delegate duties to persons whose judgments in the performance of their duties would not be influenced by the relationships they maintain with staff that have authority or perceived authority over them.

Cause of Condition: The County Administrator and the County Clerk are married. The marital relationship is a violation of County policy and a conflict due to potential pressures to make decisions that one would otherwise not make to protect a spouse.

2012-23 Apparent Conflict of Duties on Staff (continued)

Effect of condition: The County Clerk performs many duties that are not in the normal duties of a traditional County Clerk. Some of these duties have been questioned by other staff of the County Administrator, with no apparent changes made. Some of these duties performed present internal control risk as previously indicated. The County Clerk receives all mail, including all correspondence related to the County and the County Administrator. The conflict presented is that **potentially** any negative information received **could** be withheld from the Board of Commissioners or others. Additionally,, complaints or other negative information directed at the County Clerk are difficult for staff to communicate when a relationship such at this exists. Finally, the personnel policy could be viewed by employees as applying to some but not all.

Recommendation: Consider actions necessary to resolve the conflict of duties among staff.

Management response: A prior Board of Commissioners provided approval of the current employment positions. The current Board of Commissioners supports the employee handbook policies. The positions of Clerk and administrator have been vacated by those individuals who held the offices at the time of audit finding. The current Board wishes to note that they will support and follow the existing employee handbook policies to prevent such issues in the future.

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Tax Commissioner's Office

2012-24 Returned Checks

Condition: Returned checks are not reconciled to a control total.

Criteria: Returned checks which are held for taxpayer payments should be listed and reconciled periodically as a receivable, especially since returned checks which are not collected at the end of the month may effect the disbursement to a taxing jurisdiction.

Cause of Condition: Failure to maintain a control list of returned checks.

Effect of condition: Potential failure to collect a payment and the overpayment of taxes and fees to taxing jurisdictions.

Recommendation: Require a list of returned checks to be prepared and reconciled monthly to the actual unpaid returned checks.

Management response: Procedures to address this finding were implemented with the conversion of the new bookkeeping software that launched July, 2012. In addition, new accounting generalist personnel was hired with expertise in tax software. The Tax Commissioner will monitor these issues monthly.

2012-25 Final monthly distributions not reconciled to cash balance

Condition: Final monthly distributions are not reconciled to the final month end cash balance.

Criteria: Generally, all cash maintained by the Tax Commissioners office belongs to one of the various taxing jurisdictions. At the end of the month the total unremitted balance should equal the reconciled cash balance.

Cause of Condition: Failure to reconcile the unremitted balance to the reconciled cash balance.

Effect of condition: This condition could cause incorrect distributions to taxing jurisdictions.

Recommendation: Prior to the issuance of the final remittance each month, determine that the total of the final remittances due is reconciled to the ending cash balance.

Management response: Procedures to address this finding were implemented with the conversion of the new bookkeeping software that launched July, 2012. In addition, new accounting generalist personnel was hired with expertise in tax software. The Tax Commissioner will monitor these issues monthly.

2012-26 Old Outstanding Checks

Condition: Old outstanding checks (over five years old) have not been remitted to the State of Georgia as unclaimed funds.

Criteria: State law requires unclaimed funds to be remitted to the state as unclaimed funds.

Cause of Condition: The condition was caused by an oversight on the part of staff.

Effect of condition: This condition could result in the potential violation of state law.

Recommendation: Establish procedures to ensure that state law with respect to unclaimed funds is followed.

Management response: We concur with this finding and prior to the date of this report the Tax Commissioner's office recognized and began issuing unclaimed excess funds from tax sales to the State of Georgia. We are working through the backlog to meet this requirement. We will be amending our procedures by placing additional staffing hours as needed to insure compliance in this area.

Sheriff's Office

2012-27 Lack of Segregation of Duties

Condition: There is a lack of segregation of duties surrounding the receipt, disbursing, recording and reconciling of cash.

Criteria: Internal control procedures should be in place to ensure there is a proper segregation of duties surrounding collecting cash, recording receipts and disbursements, authorizing disbursement sand reconciling accounts.

Cause of Condition: The receptionist at the public window receives and records cash tendered; the office manager receives, records and deposits cash receipts, records disbursements, reconciles the bank accounts, and can receive cash at the window; the Sherriff or Chief Deputy authorizes and records disbursements of funds and signs checks.

Effect of condition: This condition could lead to inappropriate transactions and the risk of potential fraud or theft.

Recommendation: Establish procedures to segregate the duties of receiving cash, disbursing cash, recording cash and reconciling cash. Segregate duties in such a way that no one person performs any two of the following functions: 1) collects cash, (2) records receipts and disbursements, (3) authorizes disbursements, and (4) reconciles accounts.

2012-27 ***Lack of Segregation of Duties (continued)***
Management response: We are aware of this situation and will continue to evaluate the costs and related benefits of adding additional personnel to alleviate this problem. We will continue to use alternative measures where available in safeguarding assets.

2012-28 ***Cash Bond Account Underfunded***
Condition: The cash bond account was underfunded by $17,627.

Criteria: The cash bond account should contain a balance at least equal to cash bonds held.

Cause of Condition: When the cash bond account was created less funds were transferred to the new account than the actual balance of cash bonds held per detail listings.

Effect of condition: This condition could lead to the overspending of funds in the Sheriff's account that should be held for cash bonds.

Recommendation: Transfer funds adequate to provide a balance in the cash bonds account to cover the total cash bonds outstanding. Additionally, reconcile the detail cash bonds listing to the balance of the cash bonds account on a monthly basis.

Management response: We concur with this finding and will transfer funds from the Sheriff's account to cover the amount underfunded. Additionally, on a monthly basis, we will reconcile the detail of cash bonds held to the balance of the bank account.

Jail

2012-29 ***Lack of Segregation of Duties***
Condition: There is a lack of segregation of duties surrounding the receipt, disbursing, recording and reconciling of cash.

Criteria: Internal control procedures should be in place to ensure there is a proper segregation of duties surrounding collecting cash, recording receipts and disbursements, authorizing disbursement sand reconciling accounts.

Cause of Condition: The Jail Clerk records cash received into the inmate's account, deposits cash receipts, authorized and records disbursements, and reconciles the bank account.

Effect of condition: This condition could lead to inappropriate transactions and the risk of potential fraud or theft.

2012-29 Lack of Segregation of Duties (continued)

Recommendation: Establish procedures to segregate the duties of receiving cash, disbursing cash, recording cash and reconciling cash. Segregate duties in such a way that no one person performs any two of the following functions: 1) collects cash, (2) records receipts and disbursements, (3) authorizes disbursements, and (4) reconciles accounts.

Management response: We are aware of this situation and will continue to evaluate the costs and related benefits of adding additional personnel to alleviate this problem. We will continue to use alternative measures where available in safeguarding assets.

Correctional Institute

2012-30 Lack of Segregation of Duties

Condition: There is a lack of segregation of duties surrounding the receipt, disbursing, recording and reconciling of cash.

Criteria: Internal control procedures should be in place to ensure there is a proper segregation of duties surrounding collecting cash, recording receipts and disbursements, authorizing disbursement sand reconciling accounts.

Cause of Condition: The office manager maintains custody of cash, records the receipts in the accounting system and reconciles the bank account.

Effect of condition: This condition could lead to inappropriate transactions and the risk of potential fraud or theft.

Recommendation: Establish procedures to segregate the duties of receiving cash, disbursing cash, recording cash and reconciling cash. Segregate duties in such a way that no one person performs any two of the following functions: 1) collects cash, (2) records receipts and disbursements, (3) authorizes disbursements, and (4) reconciles accounts.

Management response: Upper management is aware of the duties assigned to the business office. We will be working toward providing additional support to the Office Manager to develop and institute a plan to improve our process. The prison does not receive any cash, (only money orders) from inmate families. Money orders are received through the mail; the mail officer logs all money orders in a control log before giving them to the office manager to process them. All inmates are given a receipt showing the date the money order was received and posted on their account.

2012-31 ***Lack of support for debit card purchases***

Condition: There is a lack of authorization for multiple debit card purchases.

Criteria: Internal control procedures should be in place to ensure all disbursements, including debit card purchase, are properly documented.

Cause of Condition: Failure to have the purchase documentation reviewed and signed as approved by an independent party.

Effect of condition: This condition could lead to inappropriate purchases or errors occurring remaining undetected.

Recommendation: Establish procedures to require all purchases, including debit card purchase have adequate documentation to support the transaction which is attached to the payment and signed as approved by an appropriate independent person.

Management response: Effective immediately, we will ensure that there is signed supporting documentation for every transaction authorizing every purchase that is made with the debit card. We also, sent out a reminder to all cardholders to submit documentation with all purchases and to fill out an in-house purchase request before purchasing any items. All in-house request forms must have three signatures, and receipt of purchase before turning in request.

Probation Office

2012-32 ***Lack of Segregation of Duties***

Condition: There is a lack of segregation of duties surrounding cash receipts and receivables from probationers.

Criteria: Internal control procedures should be in place to ensure there is a proper segregation of duties surrounding collecting cash, recording receipts and the maintenance of accounts receivable.

Cause of Condition: The clerk in the probation office receives cash, records the receipt of cash and updates receivables from probationers.

Effect of condition: This condition could lead to inappropriate transactions and the risk of potential fraud or theft.

Recommendation: Establish procedures to segregate the duties of receiving cash and recording cash between different persons.

2012-32 ***Lack of Segregation of Duties (continued)***

Management response: Probation management will explore the legality of accepting payments only in the form of money orders. In the interim, we will continue to use alternative measures where available to assist in safeguarding County assets.

2012-33 ***Manual calculation without independent verification***

Condition: Manual calculations are perform on which payments are made without independent verification.

Criteria: Internal control procedures should be in place to ensure manual calculation are calculated properly by independent verification.

Cause of Condition: The probation office clerk manually calculates and inputs amounts into the probation software for the portion to be applied to the $41 probation fee that the county keeps and the $9 per month fee (sometimes multiples of $9 for late payments) that is remitted to the GCVEF.

Effect of condition: This condition could result in incorrect allocation and payments.

Recommendation: Establish procedures that required manual calculations of fee allocations to be independently verified.

Management response: Prior to the date of the audit report, the Probation Accounting System program was modified to automatically calculate what is owed/arrears in supervision fees thus alleviating the use on manual calculations.

Probate Court

2012-34 ***Lack of Segregation of Duties***

Condition: There is a lack of segregation of duties surrounding the receipt, disbursing, recording and reconciling of cash.

Criteria: Internal control procedures should be in place to ensure there is a proper segregation of duties surrounding collecting cash, recording receipts and disbursements, authorizing disbursement sand reconciling accounts.

Cause of Condition: The clerks receive funds, record transactions and count their own drawers. Additionally, one clerk reconciles the passport account for which she is the clerk receiving and recording the payments. The probate judge makes the deposit, records disbursements, signs checks and reconciles cash accounts.

2012-34 ***Lack of Segregation of Duties***

Effect of condition: This condition could lead to inappropriate transactions and the risk of potential fraud or theft.

Recommendation: Establish procedures to segregate the duties of receiving cash, disbursing cash, recording cash and reconciling cash. Segregate duties in such a way that no one person performs any two of the following functions: 1) collects cash, (2) records receipts and disbursements, (3) authorizes disbursements, and (4) reconciles accounts.

Management response: We are aware of this situation and will continue to evaluate the costs and related benefits of adding additional personnel to alleviate this problem. We will continue to use alternative measures where available in safeguarding assets.

2012-35 ***Bank Reconciliation***

Condition: The general cash account of the Probate Court is not being completely reconciled.

Criteria: Internal control procedures should be in place to ensure all cash accounts are reconciled and all reconciling items are properly resolved.

Cause of Condition: An attempt is made on a monthly basis to reconcile the general cash account, however there have been unreconciled differences of $300 to $2,600. These differences were not full researched and resolved.

Effect of condition: Potential for undetected and/or uncorrected errors or fraud.

Recommendation: Establish procedures to ensure all bank accounts are properly reconciled on a monthly basis and all reconciling items are properly resolved.

Management response: Measures have been taken to keep the Probate bank account reconciled. The Vital Records bank account, the Registry bank account, and the Passport bank account were not out of balance at the time of the audit. Due to the influx of birth certificate requests and concealed weapon permits, the staff was consumed with taking care of those customers. The Judge's job was to handle her own duties as well as the duties of her clerks, such as probate petitions, answering the phone and mail and training a new deputy clerk. We were very understaffed and overwhelmed with the work load. The Judge made sure the daily and monthly reports were prepared, the bills were paid on time, and reviewed the bank statements and deposits.

Superior Court

2012-36 Lack of Segregation of Duties

Condition: There is a lack of segregation of duties surrounding the receipt, disbursing, recording and reconciling of cash.

Criteria: Internal control procedures should be in place to ensure there is a proper segregation of duties surrounding collecting cash, recording receipts and disbursements, authorizing disbursements and reconciling accounts.

Cause of Condition: The clerks receive funds, and record transactions The Clerk of Superior Court and her assistant count tills, prepare deposits, record disbursements, sign checks and reconcile cash accounts.

Effect of condition: This condition could lead to inappropriate transactions and the risk of potential fraud or theft.

Recommendation: Establish procedures to segregate the duties of receiving cash, disbursing cash, recording cash and reconciling cash. Segregate duties in such a way that no one person performs any two of the following functions: 1) collects cash, (2) records receipts and disbursements, (3) authorizes disbursements, and (4) reconciles accounts.

Management response: We are aware of this situation and will continue to evaluate the costs and related benefits of adding additional personnel to alleviate the concerns noted. We will continue to use alternative measures where available to safeguard county assets from these Courts

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Compliance and Other Matters

2012-37 Minutes of Open and Public Meetings

Condition: State law O.C.G.A. 50-14-1(e) has apparently been violated in that meeting summaries are not completed on a timely basis.

Criteria: State law O.C.G.A. 50-14-1(e)(2)(A) states "A summary of the subjects acted on and those members present at a meeting of any agency shall be written and made available to the public for inspection within two business days of the adjournment of a meeting.

Cause of Condition: The County clerk failed to prepare a summary of subjects acted on and those members present at a Board of Commissioner meeting on at least one occasion.

Effect of condition: Violation of state law.

Recommendation: Educate County employees and elected officials on the requirements of state law as it relates to the sale or disposition of County assets.

Management response: County employees as well as elected officials will be provided documentation regarding the requirement to insure adherence to this state law requirement. Prior to the time of the audit finding staff had implemented a process of providing a summary of the minutes. This information included the subject, the action, and those persons in attendance. At times there are delays beyond staff's control. We will seek to demonstrate adherence to the two day time period requirement.

2012-38 Sale of Surplus Assets

Condition: Two vehicles utilized in the Sheriff Department were traded on new vehicles without being declared surplus by the Board of Commissioners.

Criteria: State law requires all property disposed of the County to be declared surplus and sold in sealed bids to the highest bidder.

Cause of Condition: The Sheriff Department traded two of the vehicles assigned to that department on the purchase of new vehicles. These vehicles had not been declared surplus. The Sheriff was able to repurchase the vehicles with other funds.

Effect of condition: Violated state law and County policy and procedures.

Recommendation: Educate County employees and elected officials on the requirements of state law as it relates to the disposition of County assets.

2012-38 Sale of Surplus Assets (continued)

Management response: County employees as well as elected officials will be provided documentation regarding the requirement to insure adherence to the state law requirement. Staff will be requested to inform the elected official and or board of commissioners immediately should such an event arise again.