EFFINGHAM COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Effingham County, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Effingham County, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Effingham County Board of Health, a discretely presented component unit, which represents .6%, .9%, and 2%, respectively, of the assets, net position, and revenues of Effingham County, Georgia.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Effingham County Board of Health, a discretely presented component unit, which represents .6%, .9%, and 2% respectively, of the assets, net position, and revenues of Effingham County, Georgia. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Effingham County Board of Health, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Effingham County, Georgia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Tax District fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Effingham County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of projects paid with special purpose local option sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, on our consideration of Effingham County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Effingham County, Georgia's internal control over financial reporting and compliance.

Thigpen, Lanier, Westerfield & Deal

Statesboro, GA
June 9, 2014

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, 2013. 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 $101,212,554 (net position) for the fiscal year reported.
- Total net position comprises the following:
  (1) Capital assets, net of related debt, of $70,610,517 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net position of $21,175,113 is restricted by constraints imposed from outside the County such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $9,426,924 represents 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 $45,215,297 this year. This compares to the prior year ending fund balance of $34,898,953 showing an increase of $10,316,344 during the current year. The ending fund balance resources have been classified and reflect the use or intended use of the resources.
  (1) At the end of the current fiscal year, restricted fund balance for the General Fund was $1,636,217.
  (2) At the end of the current fiscal year, committed and assigned fund balance for the General Fund was $ 4,662,254.
  (3) At the end of the current fiscal year, unassigned fund balance for the General Fund was $4,620,090 or 17% of total General Fund expenditures for fiscal year end June 2013.

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.

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 Position.* 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 Position.* Over time, increases or decreases in net position 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 position 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 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 roads. Business-type activities include water and sewer systems and sanitation.

The government-wide financial statements are presented on pages 14 & 15 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 16 through 22 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 23 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 52.

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 position may be observed and used to discuss the changing financial position of the County as a whole.

The County's net position at fiscal year-end is $101,212,554. The following table provides a summary of the County's net position:

Summary of Net Position (in millions)

	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current Assets	49.0	39.3	2.3	4.0	51.3	43.3
Net Pension Asset	2.3	1.8	-	-	2.3	1.8
Capital Assets	64.3	61.2	36.4	37.3	100.7	98.5
Total Assets	115.6	102.3	38.7	41.3	154.3	143.6
Liabilities						
Current Liabilities	6.1	3.2	6.4	6.5	12.5	9.7
Long- Term Liabilities	15.7	2.7	24.9	26.3	40.6	29.0
Total Liabilities	21.8	5.9	31.3	32.8	53.1	38.7
Net Assets						
Invested in capital Assets, net of debt	60.6	60.4	10.1	9.6	70.7	70.0
Restricted	21.1	25.6	0.0	0.1	21.1	25.7
Unrestricted	12.1	10.4	-2.7	-1.2	9.4	9.2
Total Net Position	93.8	96.4	7.4	8.5	101.2	104.9

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 8 to 1.

The County reported positive balances in net position for both governmental and business-type activities. Net position decreased by $2,574,403 for governmental activities and decreased by $1,137,671 for business-type activities. The County's overall financial position has decreased due to the payout of funds restricted for the municipalities and anticipated capital projects during fiscal year 2013. Note that approximately 64.6% of the Governmental Activities' net position is 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 -2.7 million of unrestricted and undesignated net position and 10.1 million invested in Capital Assets for a total net position of 7.4 million. Capital assets in the business-type activities provide utility services, but they also generate revenues for this fund.

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

Summary of Changes in Net Position

	2013				2012			
	Governmental Activities	Business Activities	Total	% of Total	Governmental Activities	Business Activities	Total	% of Total
Revenues:								
Program:								
Charges for services	$ 6,352,364	$ 4,595,967	$ 10,948,331	24%	$ 6,381,106	$ 4,020,796	$ 10,401,902	23%
Operating grants	2,233,913	-	2,233,913	5%	2,481,126	-	2,481,126	5%
Capital grants	527,589	599,800	1,127,389	2%	442,881	409,801	852,682	2%
General:								
Taxes	30,920,349		30,920,349	68%	32,284,026		32,284,026	70%
Other	269,574	530	270,104	1%	265,548	(341,303)	(75,755)	0%
Total revenues	40,303,789	5,196,297	45,500,086	100%	41,854,687	4,089,294	45,943,981	100%
Program Expenses:								
General government	5,957,411	-	5,957,411	12%	5,919,847	-	5,919,847	12%
Judicial	2,619,560	-	2,619,560	5%	2,541,455	-	2,541,455	5%
Public safety	18,961,573	-	18,961,573	39%	20,067,462	-	20,067,462	41%
Public works	10,132,847	-	10,132,847	21%	8,810,125	-	8,810,125	18%
Health and welfare	800,525	-	800,525	2%	1,237,089	-	1,237,089	3%
Culture and recreation	1,808,334	-	1,808,334	4%	2,092,955	-	2,092,955	4%
Housing and development	846,607	-	846,607	2%	1,284,616	-	1,284,616	3%
Interest	311,779	-	311,779	1%	37,805	-	37,805	0%
Water	-	2,224,632	2,224,632	5%	-	2,394,764	2,394,764	5%
Sewer	-	1,477,359	1,477,359	3%	-	1,455,538	1,455,538	3%
Sanitation	-	3,118,186	3,118,186	6%	-	2,586,004	2,586,004	5%
Other	-	375,698	375,698	1%	-	148,373	148,373	0%
Total expenses	41,438,636	7,195,875	48,634,511	100%	41,991,354	6,584,679	48,576,033	100%
Excess	(1,134,847)	(1,999,578)	(3,134,425)		(136,667)	(2,495,385)	(2,632,052)	
Transfers	(1,574,339)	1,574,339	-		(128,245)	128,245	-	
Change in net position	(2,709,186)	(425,239)	(3,134,425)		(264,912)	(2,367,140)	(2,632,052)	
Beginning net position	96,405,740	8,518,888	104,924,628		96,437,394	10,886,028	107,323,422	
Prior period adjustment	134,783	(712,432)	(577,649)		233,258		233,258	
Ending net position	$ 93,831,337	$ 7,381,217	$ 101,212,554		$ 96,405,740	$ 8,518,888	$ 104,924,628	

Governmental Revenues

The County is heavily reliant on property and sales taxes to support governmental operations. In 2013, Property taxes provided 38.2% of the County's governmental revenues and sales taxes provided 33.2% of the County's governmental revenues. Program revenues cover only 22.6% of governmental operating expenses. This means that the government's taxpayers and the County's other general revenues fund 77.4% 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 45.76% (47.79% in 2012) of the County's total governmental expenses. The public works function makes up 24.45% (20.98% in 2012) 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.

	Total Cost of Services	Net Cost of Services
General government	$ 5,957,411	$ 4,964,855
Judicial	2,619,560	2,413,995
Public safety	18,961,573	12,626,893
Public works	10,132,847	9,605,258
Health and welfare	800,525	399,174
Culture and recreation	1,808,334	1,469,880
Housing and development	846,607	532,936
Interest on long-term debt	311,779	311,779
Total	$ 41,438,636	$ 32,324,770

Business-Type Activities

The County is in its tenth year of the development of its water and sewer operations. The operating revenues for water and sewer in 2013 were $1,417,561 and $1,208,002 for 2012. Operating expenses for 2013 were $2,830.375 and $2,733,187 for 2012. An operating loss of $1,412,814 was incurred for 2013 and for 2012 the operating loss was $1,525,185.

The operating revenues for the sanitation fund were $3,063,281 for 2013 and $2,711,159 for 2012. This activity resulted in an operating loss of $54,905.

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 $45,215,297. Of this year-end total, $4,614,841 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: $25,229,959 committed to approved SPLOST projects, and $985,358 restricted to public safety purposes including the emergency 911 program and fire services. In addition, committed and assigned fund balances are $4,200,000 and $462,254, respectively.

The total ending fund balances of governmental funds show an increase of $10,316,344 or 29.6% 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 decreased by $525,717 from the prior year. This was due primarily to service delivery payments made to the municipalities which were shown as restricted fund balance.

Property tax revenues remain approximately the same, the net tax digest slightly increased from $1,502,192,837 to $1,528,720,160. In 2013, the millage rate remained the same at 8.553 mils The General Fund's ending fund balance is considered to be in a strong position, representing the equivalent of 41.43% of actual annual expenditures excluding service delivery payments for 2013. 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 $27.9 million approximately the same as the prior year. Major grouping of expenditures showed:

General fund general government costs increased from $4,447,286 in 2012 to $4,759,446 in 2013.

General fund public safety costs decreased from $14,975,092 in 2012 to $14,453,423 in 2013.

General fund public works costs decreased from $2,211,242 in 2012 to $2,036,396 in 2013.

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 $1,018,001 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 $24,209 below the final budget. Taxes were $477,499 above the final budgeted revenue. For investment earnings, the revenue was slightly above budget at $1,525.

Expenditures - The expenditure side of the original budget for the General Fund was revised upward for various items including $1,276,000 in fund balance payments to the cities. Final expenditures were at $27,925,479. The final general fund budget was under spent by $213,924.

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, 2013, was $64,279,788 and $36,372,718 respectively. The total net increase in this net investment was $3,030,400 for governmental activities, and a $911,027 decrease for business-type activities. The decreases in these amounts relate to additions to governmental activities assets of $11,844,933 less CIP disposals of $8,814,533 and business-type asset additions of $270,580 less depreciation of $1,181,607.

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	
	2013	2012	2013	2012	2013	2012
Non-depreciable assets:						
Land and land rights	$ 4,970,898	$ 4,970,898	$ 1,386,918	$ 1,386,918	$ 6,357,816	$ 6,357,816
Construction in progress	13,460,478	3,727,047	407,129	1,135,474	13,867,607	4,862,521
Total non-depreciable assets	18,431,376	8,697,945	1,794,047	2,522,392	20,225,423	11,220,337
Depreciable assets:						
Buildings and improvements	37,239,480	35,592,817	16,842,312	16,595,226	54,081,792	52,188,043
Machinery and equipment	25,282,942	24,835,261	2,553,801	2,548,301	27,836,743	27,383,562
Infrastructure	99,129,500	99,112,342	22,775,561	22,029,222	121,905,061	121,141,564
Total depreciable assets	161,651,922	159,540,420	42,171,674	41,172,749	203,823,596	200,713,169
Less accumulated depreciation	115,803,510	106,988,977	7,593,003	6,411,396	123,396,513	113,400,373
Book value - depreciable assets	45,848,412	52,551,443	34,578,671	34,761,353	80,427,083	87,312,796
Percentage depreciated	28%	33%	82%	84%	39%	44%
Book value - all assets	$ 64,279,788	$ 61,249,388	$ 36,372,718	$ 37,283,745	$ 100,652,506	$ 98,533,133

At June 30, 2013, the depreciable capital assets for governmental activities were 28% 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 $16,722,782 and notes payable within the Business-type activities of $26,320,957.

During the year, the County retired $111,552 of governmental activities debt or 12.8% of the beginning outstanding debt balance.

The County also issued $14,980,000 of Association of County Commissioners of Georgia Leasing Program Certificates of Participation, Series 2012 for the purpose of renovating and expanding the Effingham County Sheriff's office and jail. The lease will be paid with Special Local Option Sales Tax Proceeds.

	Governmental Activities		Percentage
	2013	2012	Change
Capital leases	$ 16,722,782	$ 870,138	1822%
Landfill closure and postclosure care	1,636,217	1,574,841	4%
Compensated absences	780,431	862,004	-9%
Total	$ 19,139,430	$ 3,306,983	479%

See Notes 8, 9, and 10 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, because of the County's 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.

EFFINGHAM COUNTY, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Effingham County Board of Health
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 45,632,963	$ 2,082,489	$ 47,715,452	$ 916,243
Restricted cash	170,080	-	170,080	-
Receivables:				
Accounts	426,568	282,175	708,743	41,841
Taxes	1,426,292	-	1,426,292	-
Intergovernmental	1,212,156	-	1,212,156	-
Internal balances	1,476	(1,476)	-	-
Inventories	2,463	-	2,463	-
Prepaid items	122,659	1,053	123,712	-
Total Current Assets	48,994,657	2,364,241	51,358,898	958,084
Net Pension Asset	2,297,674	-	2,297,674	-
Capital Assets:				
Nondepreciable capital assets	18,431,376	1,794,047	20,225,423	-
Depreciable capital assets, net	45,848,412	34,578,671	80,427,083	16,792
Total Capital Assets	64,279,788	36,372,718	100,652,506	16,792
Total Assets	$ 115,572,119	$ 38,736,959	$ 154,309,078	$ 974,876
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 1,315,774	$ 776,316	$ 2,092,090	$ 7,502
Accrued interest payable	94,077	70,361	164,438	-
Other accrued liabilities	409,798	8,906	418,704	-
Performance bonds	23,694	-	23,694	-
Customer deposits	-	88,107	88,107	-
Unearned revenue	758,009	4,061,702	4,819,711	-
Compensated absences payable	468,259	17,637	485,896	7,140
Capital leases payable	2,980,557	-	2,980,557	-
Notes payable	-	1,405,995	1,405,995	-
Total Current Liabilities	6,050,168	6,429,024	12,479,192	14,642
Long-Term Liabilities:				
Notes payable (net of current portion)	-	24,914,962	24,914,962	-
Compensated absences payable (net of current portion)	312,172	11,756	323,928	28,561
Capital leases payable (net of current portion)	13,742,225	-	13,742,225	-
Landfill closure and postclosure care costs	1,636,217	-	1,636,217	-
Total Long-Term Liabilities	15,690,614	24,926,718	40,617,332	28,561
Total Liabilities	21,740,782	31,355,742	53,096,524	43,203
NET POSITION				
Net investment in capital assets	60,558,756	10,051,761	70,610,517	16,792
Restricted for:				
Capital projects	12,228,209	-	12,228,209	-
Service delivery to unincorporated areas	6,776,806	-	6,776,806	-
Other purposes	2,170,098	-	2,170,098	212,000
Unrestricted	12,097,468	(2,670,544)	9,426,924	702,881
Total Net Position	$ 93,831,337	$ 7,381,217	$ 101,212,554	$ 931,673

See accompanying notes to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Program/Function	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Effingham County Board of Health
Primary Government								
Governmental Activities								
General government	$ 5,957,411	$ 977,684	$ 14,872	$ -	$ (4,964,855)	$ -	$ (4,964,855)	
Judicial	2,619,560	143,336	62,229	-	(2,413,995)	-	(2,413,995)	
Public safety	18,961,573	4,556,577	1,778,103	-	(12,626,893)	-	(12,626,893)	
Public works	10,132,847	-	-	527,589	(9,605,258)	-	(9,605,258)	
Health and welfare	800,525	87,417	313,934	-	(399,174)	-	(399,174)	
Recreation	1,808,334	333,994	4,460	-	(1,469,880)	-	(1,469,880)	
Housing and development	846,607	253,356	60,315	-	(532,936)	-	(532,936)	
Interest and fiscal charges	311,779	-	-	-	(311,779)	-	(311,779)	
Total governmental activities	41,438,636	6,352,364	2,233,913	527,589	(32,324,770)	-	(32,324,770)	-
Business-type Activities								
Water and Sewer	2,224,632	1,384,443	-	-	-	(840,189)	(840,189)	-
Wastewater Treatment Plant	1,477,359	33,118	-	-	-	(1,444,241)	(1,444,241)	-
Sanitation	3,118,186	3,063,281	-	-	-	(54,905)	(54,905)	-
Other	375,698	115,125	-	599,800	-	339,227	339,227	-
Total business-type activities	7,195,875	4,595,967	-	599,800	-	(2,000,108)	(2,000,108)	
Total - Primary Government	$ 48,634,511	$ 10,948,331	$ 2,233,913	$ 1,127,389	(32,324,770)	(2,000,108)	(34,324,878)	-
Component Unit:								
Effingham County Board of Health	$ 755,408	$ 285,929	$ 505,780	$ -				$ 36,301
		General Revenues						
		Property taxes levied for general government purposes			15,394,482	-	15,394,482	
		Sales taxes			13,373,482	-	13,373,482	-
		Insurance premium tax			1,737,227	-	1,737,227	-
		Other taxes			415,158	-	415,158	-
		Gain on sale of capital assets			5,691	-	5,691	-
		Investment earnings			17,360	530	17,890	-
		Other			246,523	-	246,523	122,271
		Total General Revenues			31,189,923	530	31,190,453	122,271
		Transfers			(1,574,339)	1,574,339	-	-
		Total General Revenues and Transfers			29,615,584	1,574,869	31,190,453	122,271
		Change in Net Position			(2,709,186)	(425,239)	(3,134,425)	158,572
		Net Position Beginning of Year, As Restated			96,540,523	7,806,456	104,346,979	773,101
		Net Position End of Year			$ 93,831,337	$ 7,381,217	$ 101,212,554	$ 931,673

See accompanying note to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Special Tax District	SPLOST	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 10,790,720	$6,829,457	$25,743,413	$ 2,269,373	$ 45,632,963
Restricted cash	170,080	-	-	-	170,080
Receivables:					
Accounts	258,779	-	-	167,789	426,568
Taxes	1,367,627	58,665	-	-	1,426,292
Intergovernmental	624,678	-	587,478	-	1,212,156
Interfund	112,444	-	-	130,541	242,985
Inventories	2,463	-	-	-	2,463
Prepaid items	121,982	-	-	677	122,659
TOTAL ASSETS	$ 13,448,773	$6,888,122	$26,330,891	$ 2,568,380	$ 49,236,166
LIABILITIES					
Accounts payable	$ 654,780	$ -	$ 526,691	$ 134,303	$ 1,315,774
Accrued liabilities	362,780	-	-	47,018	409,798
Performance bonds	23,694	-	-	-	23,694
Interfund payable	19,976	-	-	221,533	241,509
Unearned revenue	72,452	111,316	574,241	-	758,009
TOTAL LIABILITIES	1,133,682	111,316	1,100,932	402,854	2,748,784
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,272,085	-	-	-	1,272,085
FUND BALANCES					
Nonspendable					
Inventories	2,463	-	-	-	2,463
Prepaid items	121,982	-	-	677	122,659
Restricted					
Landfill closure and post-closure	1,636,217	-	-	-	1,636,217
Special service district - unincorporated area	-	6,776,806	-	-	6,776,806
Public safety	-	-	-	985,358	985,358
Public works, public safety, and recreation	-	-	-	977,818	977,818
Housing and development	-	-	-	145,172	145,172
Health and welfare	-	-	-	35,911	35,911
Judicial	-	-	-	25,839	25,839
Capital projects	-	-	25,229,959	-	25,229,959
Committed					
Economic stabilization	4,200,000	-	-	-	4,200,000
Assigned					
Subsequent year expenditures	462,254	-	-	-	462,254
Unassigned	4,620,090	-	-	(5,249)	4,614,841
TOTAL FUND BALANCES	11,043,006	6,776,806	25,229,959	2,165,526	45,215,297
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 13,448,773	$6,888,122	$26,330,891	$ 2,568,380	$ 49,236,166

See accompanying note to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Governmental Fund Balances		$ 45,215,297
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	$ 180,083,298	
Less accumulated depreciation	(115,803,510)	64,279,788
The net pension asset is not an available resource and therefore is not reported in the funds.		2,297,674
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds:		
Property taxes		1,272,085
Long-term liabilities, including capital leases, notes payable, compensated absences, and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net position:		
Accrued interest payable	$ (94,077)	
Capital leases payable	(16,722,782)	
Landfill closure and post-closure care costs	(1,636,217)	
Compensated absences payable	(780,431)	(19,233,507)
Net Position Of Governmental Activities		$ 93,831,337

See accompanying notes to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Special Tax District	SPLOST	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 20,778,813	$ 1,148,090	$ 7,545,140	$ 1,737,227	31,209,270
Licenses and permits	43,215	-	-	247,655	290,870
Intergovernmental	2,233,912	-	499,891	-	2,733,803
Charges for services	2,899,663	-	-	2,004,103	4,903,766
Fines and forfeitures	1,230,061	-	-	143,730	1,373,791
Investment earnings	11,884	4,323	27,698	1,153	45,058
Other	246,523	-	-	9,380	255,903
Total revenues	27,444,071	1,152,413	8,072,729	4,143,248	40,812,461
EXPENDITURES					
Current:					
General government	4,759,446	-	-	-	4,759,446
Judicial	2,648,788	-	-	-	2,648,788
Public safety	14,453,423	-	-	3,291,828	17,745,251
Public works	2,036,396	-	-	170,561	2,206,957
Health and welfare	758,613	-	-	72,393	831,006
Culture and recreation	1,631,733	-	-	-	1,631,733
Housing and development	363,599	-	-	471,431	835,030
Capital outlay					
General government	-	-	975	-	975
Public safety	-	-	4,908,904	-	4,908,904
Public works	-	-	6,687,310	-	6,687,310
Health and welfare	-	-	33,400	-	33,400
Intergovernmental	1,273,481	-	1,111,482	-	2,384,963
Debt service:					
Principal	-	-	-	111,552	111,552
Interest	-	-	229,406	31,239	260,645
Debt issuance costs	-	-	104,860	20,116	124,976
Total expenditures	27,925,479	-	13,076,337	4,169,120	45,170,936
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(481,408)	1,152,413	(5,003,608)	(25,872)	(4,358,475)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	5,691	-	-	-	5,691
Proceeds from capital lease	-	-	14,980,000	-	14,980,000
Premium on capital lease	-	-	1,128,685	-	1,128,685
Transfers in	-	1,662,227	112,950	431,941	2,207,118
Transfers out	(50,000)	(1,917,339)	-	(1,814,118)	(3,781,457)
Total other financing sources (uses)	(44,309)	(255,112)	16,221,635	(1,382,177)	14,540,037
NET CHANGE IN FUND BALANCES	(525,717)	897,301	11,218,027	(1,408,049)	10,181,562
FUND BALANCES, JULY 1, 2012, AS RESTATED	11,568,723	5,879,505	14,011,932	3,573,575	35,033,735
FUND BALANCES, JUNE 30, 2013	$ 11,043,006	$ 6,776,806	$ 25,229,959	$ 2,165,526	$ 45,215,297

See accompanying notes to the basic financial statements

EFFINGHAM COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net Change In Fund Balances - Total Governmental Funds			$ 10,181,562
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 capitalized capital outlays exceeded depreciation expense in the current period.			
	Depreciation expense	$ (8,814,533)	
	Capital outlay	11,844,933	3,030,400
The increase in the net pension asset is reported on the government-wide statement of activities but not in the governmental funds.	Net pension asset:		
	6/30/2013	2,297,674	
	6/30/2012	(1,801,364)	496,310
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			
	EMS:		
	Unavailable @ 6/30/12		(225,444)
	Property taxes:		
	Unavailable @ 6/30/13	1,272,085	
	Unavailable @ 6/30/12	(1,561,004)	(288,919)
Governmental funds do not report the cost of disposed capital assets but the cost is reported on the statement of activities.			-
Other financing sources for the inception of capital leases and proceeds from notes payable are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements.			(14,980,000)
Repayment of notes and capital leases principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			111,552
Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of this difference in the treatment of long-term debt and related items.			(984,196)
Some expenses reported in the statement of activities, such as landfill closure and post-closure care costs, accrued interest payable, and compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			(50,451)
Change In Net Position of Governmental Activities			$ (2,709,186)

See accompanying notes to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes				
Property	$ 13,187,683	$ 14,057,811	$ 14,535,310	$ 477,499
Sales	6,197,000	6,197,000	5,828,345	(368,655)
Other	338,668	338,668	415,158	76,490
Licenses and permits	26,100	26,100	43,215	17,115
Intergovernmental	2,186,133	2,322,133	2,233,912	(88,221)
Charges for services	2,923,872	2,923,872	2,899,663	(24,209)
Fines and forfeitures	1,212,488	1,217,488	1,230,061	12,573
Investment earnings	10,359	10,359	11,884	1,525
Other	147,283	154,156	246,523	92,367
Total revenues	26,229,586	27,247,587	27,444,071	196,484
EXPENDITURES				
Current:				
General government:				
Commissioners' office	295,517	355,617	354,144	1,473
Registrar	265,316	278,316	276,083	2,233
Financial administration	1,417,621	1,620,621	1,561,136	59,485
Information Technology	531,057	491,158	523,841	(32,683)
Tax commissioner	684,901	740,901	748,351	(7,450)
Tax assessor	703,406	698,406	693,311	5,095
Government buildings	513,462	606,462	602,580	3,882
Total general government	4,411,280	4,791,481	4,759,446	32,035
Judicial:				
Superior court clerk's office	525,780	522,581	517,269	5,312
Superior court	644,289	704,289	665,626	38,663
District attorney's office	364,648	364,648	364,648	-
State Court	258,248	267,247	265,233	2,014
Solicitor	216,345	230,695	230,415	280
Magistrate Court	301,073	292,073	302,238	(10,165)
Probate Court	245,219	268,219	266,789	1,430
Board of equalization	50,700	39,400	36,570	2,830
Total judicial	2,606,302	2,689,152	2,648,788	40,364
Public safety:				
Emergency management	147,580	174,580	171,917	2,663
Sheriff	5,218,783	5,792,935	5,788,745	4,190
School resource officers	277,775	246,775	243,978	2,797
Jail	2,091,958	2,002,792	1,992,046	10,746
Correctional institute	3,389,288	3,167,787	3,162,913	4,874
Inmate medical	350,000	350,000	337,543	12,457
Probation	227,394	224,687	223,055	1,632
Emergency medical services	2,171,980	2,286,180	2,280,590	5,590
Coroner	58,348	48,648	45,351	3,297
Animal control	157,153	208,153	207,285	868
Total public safety	14,090,259	14,502,537	14,453,423	49,114

See accompanying notes to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)				
Public works:				
Roads	$ 1,643,924	$ 1,765,924	$ 1,756,822	$ 9,102
Roads - Cities	280,177	280,176	279,574	602
Total public works	1,924,101	2,046,100	2,036,396	9,704
Health and welfare:				
Health Department	251,053	254,853	252,026	2,827
Department of Family and Children Servi	77,708	84,581	77,794	6,787
Summer food program	18,595	18,595	12,001	6,594
Family connection grant	109,886	109,886	80,786	29,100
Senior citizens	291,648	282,848	273,789	9,059
Other community services	55,000	55,000	62,217	(7,217)
Total health and welfare	803,890	805,763	758,613	47,150
Culture and recreation				
Recreation	1,034,068	1,075,068	1,068,757	6,311
Recreation - Cities	134,616	134,616	117,104	17,512
Library	445,872	445,872	445,872	-
Total culture and recreation	1,614,556	1,655,556	1,631,733	23,823
Housing and development:				
Extension service	130,928	133,328	131,141	2,187
Conservation - Forestry	23,326	23,326	23,363	(37)
Geographic Information Systems	240,760	155,160	148,780	6,380
GEFA Energy Efficient Grant	-	61,000	60,315	685
Total housing and development	395,014	372,814	363,599	9,215
Intergovernmental - Service delivery	-	1,276,000	1,273,481	2,519
Total expenditures	25,845,402	28,139,403	27,925,479	213,924
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	384,184	(891,816)	(481,408)	410,408
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	7,500	7,500	5,691	(1,809)
Transfers out	(558,599)	(558,599)	(50,000)	508,599
Total other financing sources (uses)	(551,099)	(551,099)	(44,309)	506,790
NET CHANGE IN FUND BALANCE	$ (166,915)	$ (1,442,915)	(525,717)	$ 917,198
FUND BALANCE, BEGINNING OF YEAR			11,568,723	
FUND BALANCE, END OF YEAR			$ 11,043,006	

See accompanying notes to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
SPECIAL TAX DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	$ 2,650,000	$ 1,148,090	$ (1,501,910)
Investment earnings	-	4,323	4,323
Total revenues	2,650,000	1,152,413	(1,497,587)
EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	2,650,000	1,152,413	(1,497,587)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,662,227	1,662,227
Transfers out	(3,089,264)	(1,917,339)	1,171,925
Total other financing sources (uses)	(3,089,264)	(255,112)	2,834,152
NET CHANGE IN FUND BALANCE	$ (439,264)	897,301	$ 1,336,565
FUND BALANCE, BEGINNING OF YEAR		5,879,505	
FUND BALANCE, END OF YEAR		$ 6,776,806	

See accompanying notes to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Water & Sewer Operating	Wastewater Treatment Plant	Sanitation	Total Nonmajor Funds	Total Enterprise Funds
ASSETS					
Current Assets					
Cash and cash equivalents	$ 200,631	$ 273,241	$ 1,435,680	$ 172,937	$ 2,082,489
Receivables:					
Accounts	271,908	3,366	3,840	3,061	282,175
Interfund	2,260,006	-	1,200	29,056	2,290,262
Prepaid items	1,053	-	-	-	1,053
Total Current Assets	2,733,598	276,607	1,440,720	205,054	4,655,979
Capital Assets					
Land	100,358	1,286,560	-	-	1,386,918
Construction in progress	407,129	-	-	-	407,129
Systems and equipment (net of depreciation)	19,559,527	14,765,405	253,739	-	34,578,671
Total Capital Assets	20,067,014	16,051,965	253,739	-	36,372,718
Total Assets	22,800,612	16,328,572	1,694,459	205,054	41,028,697
LIABILITIES					
Current Liabilities					
Accounts payable	345,137	33,881	330,282	67,016	776,316
Accrued payroll	2,558	2,588	1,603	2,157	8,906
Compensated absences payable	4,003	5,824	3,228	4,582	17,637
Accrued interest payable	36,283	34,078	-	-	70,361
Customer deposits	87,207	900	-	-	88,107
Unearned revenue	3,962,702	-	-	99,000	4,061,702
Interfund payable	-	2,290,262	-	1,476	2,291,738
Notes payable	652,436	753,559	-	-	1,405,995
Total Current Liabilities	5,090,326	3,121,092	335,113	174,231	8,720,762
Long-Term Liabilities					
Compensated absences payable (net of current portion)	2,669	3,882	2,151	3,054	11,756
Notes payable (net of current portion)	11,804,213	13,110,749	-	-	24,914,962
Total Long-Term Liabilities	11,806,882	13,114,631	2,151	3,054	24,926,718
Total Liabilities	16,897,208	16,235,723	337,264	177,285	33,647,480
NET POSITION					
Net investment in capital assets	7,610,365	2,187,657	253,739	-	10,051,761
Unrestricted	(1,706,961)	(2,094,808)	1,103,456	27,769	(2,670,544)
Total Net Position	5,903,404	92,849	1,357,195	27,769	7,381,217

See accompanying notes to the basic financial statements.

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

	Water & Sewer Operating	Wastewater Treatment Plant	Sanitation	Total Nonmajor Funds	Total Enterprise Funds
OPERATING REVENUES					
Charges for services	$ 1,376,586	$ 29,118	$ 3,050,449	$ 115,125	$ 4,571,278
Miscellaneous	7,857	4,000	12,832	-	24,689
Total revenues	1,384,443	33,118	3,063,281	115,125	4,595,967
OPERATING EXPENSES					
Salaries and employee benefits	142,976	131,293	96,081	114,915	485,265
Purchased services	965,808	68,200	2,999,547	125,769	4,159,324
Materials and supplies	134,953	215,279	12,817	14,829	377,878
Depreciation	534,771	637,095	9,741	-	1,181,607
Total operating expenses	1,778,508	1,051,867	3,118,186	255,513	6,204,074
OPERATING LOSS	(394,065)	(1,018,749)	(54,905)	(140,388)	(1,608,107)
NON-OPERATING REVENUES (EXPENSES)					
Impact fees	-	-	-	599,800	599,800
ERU charges	-	-	-	(120,185)	(120,185)
Investment earnings	69	14	306	141	530
Interest expense	(446,124)	(425,492)	-	-	(871,616)
Total non-operating revenues (expenses)	(446,055)	(425,478)	306	479,756	(391,471)
INCOME (LOSS) BEFORE TRANSFERS	(840,120)	(1,444,227)	(54,599)	339,368	(1,999,578)
TRANSFERS IN (OUT)	1,184,418	763,622	-	(373,701)	1,574,339
CHANGE IN NET POSITION	344,298	(680,605)	(54,599)	(34,333)	(425,239)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	5,559,106	773,454	1,411,794	62,102	7,806,456
NET POSITION, END OF YEAR	$ 5,903,404	$ 92,849	$ 1,357,195	$ 27,769	$ 7,381,217

See accompanying notes to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water & Sewer Operating	Wastewater Treatment Plant	Sanitation	Total Nonmajor Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 1,317,977	$ 36,189	$ 3,060,027	$ 112,064	$ 4,526,257
Cash payments to employees for services	(140,981)	(129,648)	(105,960)	(115,023)	(491,612)
Cash payments for goods and services	(1,315,935)	(277,035)	(2,994,487)	(129,219)	(4,716,676)
Net cash provided (used) by operating activities	(138,939)	(370,494)	(40,420)	(132,178)	(682,031)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances from (to) other funds	(935,525)	965,781	(2,676)	(26,104)	1,476
Interfund transfers	900,000	624,339	-	50,000	1,574,339
Net cash provided (used) by noncapital financing activities	(35,525)	1,590,120	(2,676)	23,896	1,575,815
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Impact fees	-	-	-	599,800	599,800
ERU charges	-	-	-	(115,685)	(115,685)
Interfund transfers	284,418	139,283	-	(423,701)	-
Principal paid on notes payable	(630,711)	(732,001)	-	-	(1,362,712)
Interest paid on notes payable	(447,919)	(427,202)	-	-	(875,121)
Purchase of capital assets	(67,700)	(5,710)	(197,379)	-	(270,789)
Net cash provided (used) by capital and related financing activities	(861,912)	(1,025,630)	(197,379)	60,414	(2,024,507)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	69	14	306	141	530
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,036,307)	194,010	(240,169)	(47,727)	(1,130,193)
CASH AND CASH EQUIVALENTS, JULY 1, 2012	1,236,938	79,231	1,675,849	220,664	3,212,682
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	$ 200,631	$ 273,241	$ 1,435,680	$ 172,937	$ 2,082,489
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (394,065)	$ (1,018,749)	$ (54,905)	$ (140,388)	$ (1,608,107)
Adjustments:					
Depreciation	534,771	637,095	9,741	-	1,181,607
(Increase) decrease in operating assets:					
Accounts receivable	(74,788)	2,171	(3,254)	(3,061)	(78,932)
Prepaid items	2,568	-	-	-	-
Increase (decrease) in operating liabilities:					
Accounts payable	(79,945)	6,444	17,877	11,379	(44,245)
Customer deposits	8,322	900	-	-	-
Accrued payroll	(4,677)	(8,061)	(15,258)	(7,744)	(35,740)
Unearned revenue	(137,797)	-	-	-	(137,797)
Compensated absences payable	6,672	9,706	5,379	7,636	29,393
Net cash provided (used) by operating activities	$ (138,939)	$ (370,494)	$ (40,420)	$ (132,178)	$ (682,031)

See accompanying notes to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS

	Pension Trust Funds For the Year Ended December 31, 2012	Agency Funds June 30, 2013
Assets		
Cash and cash equivalents	$ 162,757	$ 1,523,391
Investments, at fair value, in mutual funds	6,241,104	-
Receivables:		
From employer	31,191	-
From employees	9,897	-
Total assets	$ 6,444,949	$ 1,523,391
Liabilities		
Due to other entities and individuals		$ 1,523,391
Net Position		
Held in trust for employee pension benefits	$ 6,444,949	

See accompanying notes to the basic financial statements.

EFFINGHAM COUNTY, GEORGIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

	Pension Trust Funds For the Year Ended December 31, 2012
Additions	
Contributions	
Employer	$ 553,463
Plan members	299,389
Total contributions	852,852
Investment income	
Dividends and interest	193,457
Net appreciation in fair value of investments	550,764
Total investment income	744,221
Total additions	1,597,073
Deductions	
Benefits	183,486
Administrative expenses	39,405
Total deductions	222,891
Change in net position	1,374,182
Net position, Beginning of year	5,070,767
Net position, End of year	$ 6,444,949

See accompanying notes to the basic financial statements.

Effingham County, Georgia (the "County") operates under a five-member board of commissioners and a chairman-at-large form of government.

NOTE 1 – 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 governments. 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.

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

1-A. Reporting Entity

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.

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 County's discretely presented component units follows:

Effingham County Board of Health – The Effingham County Board of Health is included as a discretely presented component unit. Copies of the discretely presented component unit's separate financial statements may be obtained directly from their administrative office at:

Effingham County Board of Health
P.O. Box 350
Springfield, Georgia 31329

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 governmental, proprietary, and fiduciary funds.

Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Fiduciary funds are reported by type.

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 following are the County's major governmental funds:

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 Funds – 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 position, financial position, and cash flows. The proprietary funds are classified as enterprise funds. The following are the County's major enterprise funds:

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

Wastewater Treatment Plant Fund – This fund is used to account for the construction of facilities and operation of activities involved in providing wastewater treatment 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1-B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities. These statements report financial information for the County as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants and the County's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the County and its discretely presented component units.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the various constitutional officers.

1-C. 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 position. The statement of activities reports revenues and expenses.

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 position. The statements of changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

1-D. 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 fiduciary funds use the accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue – 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. 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.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On both the governmental fund financial statements and the government-wide financial statements, revenues are reported as unearned for grants and entitlements received before eligibility requirements are met (e.g., cash advances).

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.

1-E. Assets, Liabilities and Net Position

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 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 United States 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013.

Interfund Balances

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

Consumable Inventories

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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 reported as nonspendable 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 position but does not report these assets in the County fund financial statements. Capital assets utilized by proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in proprietary funds' statement of net position.

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, right-of-ways 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:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description	Estimated Lives
Buildings and improvements	7-30 years
Machinery and equipment	5-10 years
Infrastructure	10-25 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.

The total compensated absences liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absences liability in each individual fund at the fund reporting level. Governmental funds report the compensated absences 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. Notes and capital leases are recognized as a liability in the governmental fund financial statements when due.

Debt Premiums, Discounts, and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statements of net position, debt premiums and discounts are netted against the debt payable. On the government-wide and proprietary fund type statement of activities, debt premiums and discounts are amortized over the life of the debt using the effective interest method and debt issuance costs are expensed in the current period.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

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

Fund Equity

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

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

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

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners through the adoption of a resolution. Only the Board of Commissioners also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the Board of Commissioners' intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners can delegate authority to assign fund balances.

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

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets 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. Net position is reported as restricted when there are limitations imposed on its 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 position is reported as unrestricted.

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

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, sewer, and sanitation programs. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of each fund and include administrative expenses and depreciation on capital assets. 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 after the nonoperating revenues/expenses section in proprietary funds. Repayment 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).

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. Transfers between governmental and business-type activities are eliminated from the total column.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The County adopts an annual operating budget for the general fund, each special revenue fund and capital projects fund. The budget resolution reflects the total of each department's appropriation in each 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 change in total to a fund or departmental appropriation within a fund requires approval of the Board of Commissioners.

During the year, the Board of Commissioners approved budget revisions.

All unexpended annual appropriations lapse at year-end.

Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations for the year ended June 30, 2013 in the following departments for the general fund:

	General Fund
Tax commissioner	$ 7,450
Magistrate Court	10,165
Other community services	7,217
Conservation - Forestry	37

The overexpenditures in these areas were funded by underexpenditures in other areas.

Expenditures exceeded appropriations in the following special revenue funds and these overexpenditures were funded by additional revenues over amounts budgeted and/or by available fund balance.

	Overexpenditures
Sheriff funds	$ 127,678
Prison funds	108,857
Senior Citizens Activity fund	23,677

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Deficit Fund Balance / Net Position

The Fire Taxing District special revenue fund had a deficit fund balance of $5,162 at June 30, 2013 which the County plans to eliminate with future fire fee revenue. The Landfill enterprise fund had a deficit net position of $7,464 at June 30, 2013 which the County plans to eliminate with future charges for services.

NOTE 3 – DEPOSITS AND INVESTMENTS

At June 30, 2013, the carrying amount of the County's deposits and investments was $49,408,923 and the bank balance was $51,421,298. The entire bank balance was insured and collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

At June 30, 2013, the County invested $21,379,529 (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 established under Georgia law (O.C.G.A. 36-83-8). 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 custodial credit risk.

At December 31, 2012, the Pension Trust Fund held investments in publicly traded mutual funds totaling $6,241,104. Investments are valued based on quoted market rates.

Discretely Presented Component Unit

The carrying amount of deposits for the Effingham County Board of Health was $916,243 and the bank balance was $938,985. As of June 30, 2013, the Board of Health did not have any balances exposed to custodial credit risk.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2013, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables 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 collectibility.

NOTE 5 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are 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 taxes for the Effingham County Board of Education, the Effingham County Hospital Authority, the Effingham County Industrial Development Authority, the State of Georgia and cities within the County. Collection of the County's taxes and for the other government 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 the year ended June 30, 2013, property taxes were levied on July 26, 2012, and were due November 15, 2012.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Wireless E-911	$ 100,000
	Drug Abuse & Treatment Education	10,968
	Landfill	1,476
Wireless E-911	E-911	104,219
Senior Citizens Activity	General	19,976
Sanitation	Wastewater Treatment Plant	1,200
Sewer Impact Fees	Wastewater Treatment Plant	29,056
Water and Sewer Operating	Wastewater Treatment Plant	2,260,006
Sheriff Special Funds	State Condemnation	6,346
Total		$ 2,533,247

Interfund balances at June 30, 2013 represent reimbursable expenses and temporary loans. The County expects to repay all interfund balances within one year.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers for the year ended June 30, 2013, consisted of the following:

	Transfers From:			
Transfers To:	General Fund	Impact Fees	Sewer Impact Fees	Water Impact Fees
Special Tax District	-	-	-	-
SPLOST	-	$ 112,950	-	-
Inspections & Zoning	-	-	-	-
Senior Citizens Activity	-	-	-	-
Sheriff Special Funds	-	-	-	-
Water and Sewer Operating	-	-	$ 96,600	$ 187,818
Wastewater Treatment Plant	-	-	139,283	-
Landfill	$ 50,000	-	-	-
Total	$ 50,000	$ 112,950	$ 235,883	$ 187,818

	Transfers From:			
Transfers To:	Special Tax District	Fire Taxing District	State Condemnation	Total
Special Tax District	-	$ 1,662,227	-	$ 1,662,227
SPLOST	-	-	-	112,950
Inspections & Zoning	$ 300,000	-	-	300,000
Senior Citizens Activity	93,000	-	-	93,000
Sheriff Special Funds	-	-	$ 38,941	38,941
Water and Sewer Operating	900,000	-	-	1,184,418
Wastewater Treatment Plant	624,339	-	-	763,622
Landfill	-	-	-	50,000
Total	$ 1,917,339	$ 1,662,227	$ 38,941	$ 4,205,158

Transfers from the general fund are used primarily to help fund the landfill, and transfers from Impact Fees to the SPLOST fund were used for capital projects. Transfers to the Water and Sewer Operating fund and the Wastewater Treatment Plant fund from Water Impact Fees and Sewer Impact Fees were used for debt service, and transfers to various funds from the Special Tax District Fund were to fund operations. Transfers from the Fire Taxing District to the Special Tax District were to transfer over the insurance premium tax and transfers from the State Condemnation to the Sheriff Special Funds were to fund various items needed by the Sheriff's department.

NOTE 7 – CAPITAL ASSETS

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

	Balance 7/1/2012	Additions	Deductions	Balance 6/30/2013
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 4,970,898	-	-	$ 4,970,898
Construction in progress	3,727,047	$ 11,397,252	$ 1,663,821	13,460,478
Total capital assets not being depreciated	8,697,945	11,397,252	1,663,821	18,431,376
Capital assets being depreciated:				
Buildings and improvements	35,592,817	1,646,663	-	37,239,480
Machinery and equipment	24,835,261	447,681	-	25,282,942
Infrastructure	99,112,342	17,158	-	99,129,500
Total capital assets being depreciated	159,540,420	2,111,502	-	161,651,922
Total capital assets	168,238,365	13,508,754	1,663,821	180,083,298
Accumulated depreciation:				
Buildings and improvements	13,387,802	1,592,169	-	14,979,971
Machinery and equipment	19,778,811	1,853,461	-	21,632,272
Infrastructure	73,822,364	5,368,903	-	79,191,267
Total accumulated depreciation	106,988,977	8,814,533	-	115,803,510
Governmental activities capital assets, net	$ 61,249,388	$ 4,694,221	$ 1,663,821	$ 64,279,788

Governmental activities depreciation expense:

General government	$ 1,307,985
Public safety	1,682,136
Public works	5,589,010
Culture and Recreation	206,204
Housing and development	29,198
Total governmental activities depreciation expense	$ 8,814,533

NOTE 7 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2013 for the County's enterprise funds was as follows:

	Balance 7/1/12, as restated	Additions	Deductions	Balance 6/30/2013
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,386,918	-	-	$ 1,386,918
Construction in progress	1,135,474	-	$ 728,345	407,129
Total capital assets not being depreciated	2,522,392	-	728,345	1,794,047
Capital assets being depreciated:				
Buildings and improvements	16,595,226	$ 247,086	-	16,842,312
Machinery and equipment	2,548,301	5,500	-	2,553,801
Infrastructure	22,029,222	746,339	-	22,775,561
Total capital assets being depreciated	41,172,749	998,925	-	42,171,674
Total capital assets	43,695,141	998,925	728,345	43,965,721
Accumulated depreciation:				
Buildings and improvements	2,505,102	421,238	-	2,926,340
Equipment	1,225,030	225,598	-	1,450,628
Infrastructure	2,681,264	534,771	-	3,216,035
Total accumulated depreciation	6,411,396	1,181,607	-	7,593,003
Business-type activities capital assets, net	$ 37,283,745	$ (182,682)	728,345	$ 36,372,718

Capital asset activity for the year ended June 30, 2013 for the Effingham County Board of Health was as follows:

	Balance 7/1/2012	Additions	Deductions	Balance 6/30/2013
Component Unit:				
Machinery and equipment	$ 57,888	$ 784	-	$ 58,672
Less accumulated depreciation	(33,177)	(8,703)	-	(41,880)
Component unit capital assets, net	$ 24,711	$ (7,919)	-	$ 16,792

NOTE 8 – CAPITAL LEASES

Governmental Activities

The County has entered into a lease agreement as lessee for financing of E-911 equipment costing $1,224,471. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception. Amortization of the cost of the equipment is included in depreciation expense in the government-wide financial statements and accumulated depreciation was $1,020,392 at June 30, 2013.

NOTE 8 – CAPITAL LEASES (Continued)

The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2013:

Year ending June 30	
2014	$ 142,791
2015	142,791
2016	142,791
2017	142,791
2018	142,791
2019	142,791
Total minimum lease payments	856,746
Less amount representing interest	98,120
Present value of future minimum lease payments	$ 758,626

The County has issued $14,980,000 of Association of County Commissioners of Georgia Leasing Program Certificates of Participation, Series 2012 for the purpose of renovating and expanding the Effingham County Sheriff's office and jail. The lease will be paid with Special Local Option Sales Tax Proceeds.

The certificates of participation have interest rates ranging from two to five percent. The certificates require principal payments annually each August 15th and interest is payable semiannually on February 15th and August 15th each year.

As of June 30, 2013, annual debt service requirements for the Series 2012 Certificates of Participation are as follows:

Year ending June 30	Principal	Interest	Total
2014	$ 2,865,000	$ 457,150	$ 3,322,150
2015	2,910,000	399,400	3,309,400
2016	2,970,000	325,750	3,295,750
2017	3,055,000	220,100	3,275,100
2018	3,180,000	79,500	3,259,500
	$ 14,980,000	$ 1,481,900	$ 16,461,900

NOTE 9 – NOTES PAYABLE

Notes payable at June 30, 2013 consisted of the following:

	Business-type Acitivities
Note payable to Georgia Environmental Finance Authority for construction of a water distribution system, payable in monthly installments of $18,141, including interest at 3.73% through February 1, 2025.	$ 2,056,231
Note payable to Georgia Environmental Finance Authority for construction of a wastewater collection/distribution system and a wastewater treatment facility, payable in monthly installments of $96,600, including interest at 3.00% through April, 2028.	13,864,308
Note payable to Georgia Environmental Finance Authority for the construction of water mains for multiple developments in the county, payable in monthly installments of $29,057, including interest at 4.20% through February 1, 2029.	3,996,962
Note payable to Georgia Environmental Finance Authority for expansion of the sewer collection system and the expansion of the reclaimed water distribution system, payable in monthly installments of $42,688, including interest at 3.00% through February 1, 2029.	6,403,456
	$ 26,320,957

As of June 30, 2013, annual debt service requirements to maturity are as follows:

Year ending June 30	Business-type Activities		
	Principal	Interest	Total
2014	$ 1,405,995	$ 831,838	$ 2,237,833
2015	1,452,053	785,780	2,237,833
2016	1,499,724	738,109	2,237,833
2017	1,548,989	688,844	2,237,833
2018	1,599,903	637,930	2,237,833
2019-2023	8,824,997	2,364,168	11,189,165
2024-2028	9,413,075	855,223	10,268,298
2029	576,221	7,692	583,913
	$ 26,320,957	$ 6,909,584	$ 33,230,541

NOTE 10 – CHANGES IN LONG-TERM DEBT

Governmental Activities	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due In One Year
Capital lease payable - E-911	$ 870,138	-	$ 111,552	$ 758,586	$ 115,557
Capital lease payable - Jail	-	$14,980,000	-	14,980,000	2,865,000
Unamortized Premium	-	1,128,685	144,489	984,196	-
Total Capital Leases	870,138	16,108,685	256,041	16,722,782	2,980,557
Compensated absences payable	862,004	34,926	116,499	780,431	468,259
Landfill closure and post-closure care	1,574,841	61,376	-	1,636,217	-
Total Governmental Activities	$ 3,306,983	$16,204,987	$ 372,540	$ 19,139,430	$ 3,448,816
Business-Type Activities					
Compensated absences payable	$ 34,773	$ 3,550	$ 8,930	$ 29,393	$ 17,637
Notes payable	27,683,669	-	1,362,712	26,320,957	1,405,995
Total Business-Type Activities	$ 3,905,517	$ 3,550	$ 1,371,642	$ 26,350,350	$ 1,423,632
Component Unit					
Compensated absences payable	$ 43,016	$ -	$ 7,315	$ 35,701	$ 7,140

The compensated absences liability will be paid from the fund from which the employees' salaries are paid which is primarily the General Fund for governmental activities and the Water and Sewer Fund, the Waste Water Treatment Plant Fund, the Sanitation Fund, and the Landfill Fund for the business-type activities. The capital lease obligations will be paid from the SPLOST capital projects fund and the E-911 fund. Notes payable will be paid from the the Water and Sewer Fund and the Wastewater Treatment Plant Fund for the business-type activities.

NOTE 11 – LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

The landfill has been closed for several years and no longer accepts solid waste, but 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 of $1,636,217 is based on the 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, 2013. However, the actual cost may be higher due to inflation, unexpected mitigation requirements, changes in technology, or changes in laws and regulations.

NOTE 11 – LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (Continued)

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 12 – EMPLOYEE RETIREMENT PLANS

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 Position. Securities without an established market value are reported at estimated fair value.

Participant data – At January 1, 2013, the date of the most recent actuarial valuation, there were 563 participants as follows:

Active participants	335
Retirees and beneficiaries	33
Vested former employees	211
	579

Funding Policy – The Plan members are required to contribute 1% of compensation to the Plan. The County is required to contribute 3% of compensation 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, 2013 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

NOTE 12 – EMPLOYEE RETIREMENT PLANS (Continued)

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	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded (Surplus) AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
December 31, 2008	$ 2,770,635	$ 2,881,596	96.1%	$ 110,961	$ 8,872,503	1.3%
January 1, 2010	3,254,312	3,548,530	91.7%	294,218	11,398,499	2.6%
January 1, 2011	4,604,467	4,274,887	107.7%	(329,580)	13,829,948	-2.4%
January 1, 2012	5,070,767	4,581,131	110.7%	(489,636)	13,513,246	-3.6%
January 1, 2013	6,444,949	5,165,411	124.8%	(1,279,538)	12,971,200	-9.9%

Schedule of Employer Contributions

Year Beginning	Annual Pension Cost	Actual County Contribution	Percentage Contributed	Net Pension (Asset)/ Obligation
January 1, 2008	$ 96,088	$ 527,846	549.34%	$ (581,680)
January 1, 2009	223,218	592,954	265.64%	(1,013,438)
January 1, 2010	196,406	614,596	312.92%	(1,383,174)
January 1, 2011	153,354	649,664	423.64%	(1,801,364)
January 1, 2012	177,331	553,463	312.11%	(2,297,674)

NOTE 12 – EMPLOYEE RETIREMENT PLANS (Continued)

		1/1/2013
Derivation of annual pension cost		
Annual required contribution	$	158,859
Interest discount on net pension asset		(213,904)
Adjustment to annual required contribution*		398,476
Annual pension cost	$	343,431

*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, 2012	$	2,297,674
Annual pension income (cost)		(177,331)
Contributions		553,463
Net pension asset measured January 1, 2013	$	2,673,806

Defined Contribution Plan

The County has adopted a prototype 401(a) Defined Contribution Plan for Employees of Effingham County (the 401(a) Plan) and a prototype 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 prototype document. The Plan covers substantially all employees who meet the minimum years of service requirement. 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 cost for the 401(a) Plan and the 457 Plan for the year ended June 30, 2013 was $ 479,222. Total employee contributions to the plans for the year ended June 30, 2013 was $365,797.

Probate Judges' Retirement Fund of Georgia

The Probate Judge is covered under a pension plan which requires that certain sums from marriage licenses be remitted to the state sponsored pension plan.

Clerk of Superior Court Retirement Fund

The Clerk of Superior Court is covered under a pension plan which requires that certain sums from fees and fines or bond forfeitures be remitted to the state sponsored pension plan.

Sheriff's Retirement Fund/Peace Officers' Annuity and Benefit Fund

The Sheriff and sheriff deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the Magistrate Court and Clerk of Superior Court to the state sponsored pension plans.

NOTE 13 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with other counties in the state as part of the Association of County Commissioners of Georgia (ACCG) Interlocal Risk Management Agency Property and Liability Insurance Fund and the Association of County Commissioners of Georgia (ACCG) Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management insurance program for member local governments.

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

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

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

NOTE 14 – CONTINGENCIES

Old Augusta Development Group v. Board of Commissioners - A case is pending in which the plaintiff sought damages against the County, present and former Commissioners, and County employees in the approximate amount of $8.5 million for alleged delay in the provision of water and sewer service to its property, as well as an order of mandamus requiring the County to construct water and sewer lines to its property. The claims remaining against the County following prior dismissals are for breach of contract, promissory estoppel, mandamus, and attorney's fees. As early as June 30, 2008, the County offered to provide water and sewer service on a temporary basis with alternatives such as a well and on-site wastewater treatment plant. Further, the County has made provisions to provide water and sewer to the property via an intergovernmental agreement with the City of Rincon or through use of undisbursed loan funds available through Georgia Environmental Finance Authority of Georgia. The County is vigorously defending these claims, and has asserted numerous grounds for complete dismissal. The County has also filed a motion for summary judgment, which is pending. At this time, there is no reasonable estimate of potential costs to the County.

The County is a defendant in other various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County attorney, the resolution of these matters probably will not have a material adverse effect on the financial condition of the County.

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

NOTE 14 – CONTINGENCIES (Continued)

$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 (but not less than the millage necessary, up to the applicable maximum mil limit prescribed by the Georgia Hospital Authorities law). In the event this rate does not generate adequate funding, the County must fund the deficit from other sources.

NOTE 15 – JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Georgia Regional Commission (RC) and is required to pay annual dues thereto. During its year ended June 30, 2013, the County paid $38,878 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Coastal Georgia Regional Commission
Post Office Box 1917
Brunswick, Georgia 31521

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments have been made to the fund balances of governmental funds and enterprise funds in the fund level financial statements and to the government-wide statement of net position:

Adjustments to the fund balances of governmental funds in the fund financial statements:		
Sheriff Special Revenue Funds		
Adjust for funds not previously included in financial statements	$	117,635
Prison Special Revenue Funds		
Adjust for funds not previously included in financial statements		15,491
Senior Citizens Activity Special Revenue Fund		
Adjust for bank account previously not included in financial statements		1,656
Net increase in fund balances of governmental funds and net position of governmental activities in the government-wide financial statements	$	134,782

NOTE 16 – PRIOR PERIOD ADJUSTMENTS (Continued)

Adjustments to net position of enterprise funds in the fund financial statements:		
Water and Sewer Operating		
Adjustment to correct prior year entries for allowances for uncollectible accounts	$	(31,808)
Adjustment to write off debt issuance costs to implement GASB 65		(236,196)
Net decrease in net position		(268,004)
Wastewater Treatment Plant		
Adjustment to correct prior year entries for allowances for uncollectible accounts		(9,425)
Adjustment to correct prior years' depreciation not taken on assets placed in service		(38,503)
Adjustment to write off debt issuance costs to implement GASB 65		(266,000)
Net decrease in net position		(313,928)
Water Impact Fees		
Adjustment for impact fees previously recognized in revenue in error		(58,000)
Sewer Impact Fees		
Adjustment for impact fees previously recognized in revenue in error		(72,500)
Net decrease in net position of enterprise funds and of business-type activities in the government-wide financial statements	$	(712,432)

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 9, 2014, the date that the financial statements were available to issue. No subsequent events were noted.

EFFINGHAM COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Education	Drug Abuse & Treatment Education	Sheriff	Prison	Impact Fees	Drug Seizure	State Condemnation	E-911 Fund
ASSETS								
Cash	$ 39,582	$ 30,091	$ 104,508	$ 23,910	$ 1,030,591	$ 1,969	$ 4,413	$ 277,120
Receivables:								
Accounts	-	-	-	-	-	-	2,026	155,424
Interfund	-	-	6,346	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	529
TOTAL ASSETS	$ 39,582	$ 30,091	$ 110,854	$ 23,910	$ 1,030,591	$ 1,969	$ 6,439	$ 433,073
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ -	$ 947	$ -	$ 6,343	$ 52,773	$ -	$ -	$ 19,546
Accrued payroll	-	-	-	-	-	-	-	12,561
Interfund payable	-	10,968	-	-	-	-	6,346	104,219
Total liabilities	-	11,915	-	6,343	52,773	-	6,346	136,326
Fund balances:								
Nonspendable:								
Prepaid items	-	-	-	-	-	-	-	529
Restricted:								
Public safety	39,582	18,176	110,854	17,567	-	1,969	93	296,218
Public works, public safety, and recreation	-	-	-	-	977,818	-	-	-
Housing and development	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	39,582	18,176	110,854	17,567	977,818	1,969	93	296,747
TOTAL LIABILITIES AND FUND BALANCES	$ 39,582	$ 30,091	$ 110,854	$ 23,910	$ 1,030,591	$ 1,969	$ 6,439	$ 433,073

EFFINGHAM COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Wireless E-911 Fund	Juvenile Services	County Jail	Community Trust	Fire Taxing District	Inspections & Zoning	Senior Citizens Activity	Total
ASSETS								
Cash	$ -	$ 25,839	$ 495,721	$ -	$ 51,575	$ 157,930	$ 26,124	$ 2,269,373
Receivables:								
Accounts	-	-	959	-	9,380	-	-	167,789
Interfund	104,219	-	-	-	-	-	19,976	130,541
Prepaid items	-	-	-	-	87	61	-	677
TOTAL ASSETS	$ 104,219	$ 25,839	$ 496,680	$ -	$ 61,042	$ 157,991	$ 46,100	$ 2,568,380
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ -	$ -	$ -	$ -	$ 42,377	$ 3,694	$ 8,623	$ 134,303
Accrued payroll	-	-	-	-	23,827	9,064	1,566	47,018
Interfund payable	100,000	-	-	-	-	-	-	221,533
Total liabilities	100,000	-	-	-	66,204	12,758	10,189	402,854
Fund balances:								
Nonspendable:								
Prepaid items	-	-	-	-	87	61	-	677
Restricted:								
Public safety	4,219	-	496,680	-	-	-	-	985,358
Public works, public safety, and recreation	-	-	-	-	-	-	-	977,818
Housing and development	-	-	-	-	-	145,172	-	145,172
Health and welfare	-	-	-	-	-	-	35,911	35,911
Judicial	-	25,839	-	-	-	-	-	25,839
Unassigned	-	-	-	-	(5,249)	-	-	(5,249)
Total fund balances	4,219	25,839	496,680	-	(5,162)	145,233	35,911	2,165,526
TOTAL LIABILITIES AND FUND BALANCES	$ 104,219	$ 25,839	$ 496,680	$ -	$ 61,042	$ 157,991	$ 46,100	$ 2,568,380

EFFINGHAM COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Education	Drug Abuse & Treatment Education	Sheriff	Prison	Impact Fees	Drug Seizure	State Condemnation	E-911 Fund
REVENUES								
Insurance premium taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	55,519	110,933	-	-	-	913,977
Fine and forfeitures	-	28,454	18,057	-	-	-	38,941	-
Investment earnings	30	2	-	-	926	1	4	36
Other	-	-	8,380	-	-	-	-	-
Total revenues	30	28,456	81,956	110,933	926	1	38,945	914,013
EXPENDITURES								
Current:								
Public safety	-	28,431	127,678	108,857	-	-	-	877,904
Public works	-	-	-	-	170,561	-	-	-
Housing and development	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	111,552
Interest	-	-	-	-	-	-	-	31,239
Debt issuance costs	-	-	-	-	-	-	-	-
Total expenditures	-	28,431	127,678	108,857	170,561	-	-	1,020,695
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	30	25	(45,722)	2,076	(169,635)	1	38,945	(106,682)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	38,941	-	-	-	-	-
Transfers out	-	-	-	-	(112,950)	-	(38,941)	-
Total other financing sources (uses)	-	-	38,941	-	(112,950)	-	(38,941)	-
NET CHANGE IN FUND BALANCES	30	25	(6,781)	2,076	(282,585)	1	4	(106,682)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	39,552	18,151	117,635	15,491	1,260,403	1,968	89	403,429
FUND BALANCES, END OF YEAR	$ 39,582	$ 18,176	$ 110,854	$ 17,567	$ 977,818	$ 1,969	$ 93	$ 296,747

EFFINGHAM COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Wireless E-911 Fund	Juvenile Services	County Jail	Community Trust	Fire Taxing District	Inspections & Zoning	Senior Citizens Activity	Total
REVENUES								
Insurance premium taxes	$ -	$ -	$ -	$ -	$ 1,737,227	$ -	$ -	$ 1,737,227
Licenses and permits	-	-	-	-	-	247,655	-	247,655
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	913,287	5,785	4,602	2,004,103
Fine and forfeitures	-	3,323	54,955	-	-	-	-	143,730
Investment earnings	-	17	47	-	-	77	13	1,153
Other	-	-	-	-	1,000	-	-	9,380
Total revenues	-	3,340	55,002	-	2,651,514	253,517	4,615	4,143,248
EXPENDITURES								
Current:								
Public safety	-	-	-	4	2,148,954	-	-	3,291,828
Public works	-	-	-	-	-	-	-	170,561
Housing and development	-	-	-	-	-	471,431	-	471,431
Health and welfare	-	-	-	-	-	-	72,393	72,393
Debt service:								
Principal	-	-	-	-	-	-	-	111,552
Interest	-	-	-	-	-	-	-	31,239
Debt issuance costs	-	-	20,116	-	-	-	-	20,116
Total expenditures	-	-	20,116	4	2,148,954	471,431	72,393	4,169,120
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	3,340	34,886	(4)	502,560	(217,914)	(67,778)	(25,872)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	300,000	93,000	431,941
Transfers out	-	-	-	-	(1,662,227)	-	-	(1,814,118)
Total other financing sources (uses)	-	-	-	-	(1,662,227)	300,000	93,000	(1,382,177)
NET CHANGE IN FUND BALANCES	-	3,340	34,886	(4)	(1,159,667)	82,086	25,222	(1,408,049)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	4,219	22,499	461,794	4	1,154,505	63,147	10,689	3,573,575
FUND BALANCES, END OF YEAR	$ 4,219	$ 25,839	$ 496,680	$ -	$ (5,162)	$ 145,233	$ 35,911	$ 2,165,526

EFFINGHAM COUNTY, GEORGIA
EDUCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	-	$ 30	$ 30
FUND BALANCES, BEGINNING OF YEAR	$ 39,552	39,552	-
FUND BALANCES, END OF YEAR	$ 39,552	$ 39,582	$ 30

EFFINGHAM COUNTY, GEORGIA
DRUG ABUSE & TREATMENT EDUCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	$ 16,500	$ 16,500	$ 28,454	$ 11,954
Investment earnings	-	-	2	2
Total revenues	16,500	16,500	28,456	11,956
EXPENDITURES				
Public safety	24,101	32,601	28,431	4,170
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,601)	(16,101)	25	16,126
FUND BALANCES, BEGINNING OF YEAR	18,151	18,151	18,151	-
FUND BALANCES, END OF YEAR	$ 10,550	$ 2,050	$ 18,176	$ 16,126

EFFINGHAM COUNTY, GEORGIA
SHERIFF FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	$ -	$ 55,519	$ 55,519
Fines and forfeitures	-	18,057	18,057
Other	-	8,380	8,380
Total revenues	-	81,956	81,956
EXPENDITURES			
Public safety	-	127,678	(127,678)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	(45,722)	(45,722)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	38,941	38,941
NET CHANGE IN FUND BALANCE	-	(6,781)	(6,781)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	117,635	117,635	-
FUND BALANCES, END OF YEAR	$ 117,635	$ 110,854	$ (6,781)

EFFINGHAM COUNTY, GEORGIA
PRISON FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	$ -	$ 110,933	$ 110,933
EXPENDITURES			
Public safety	-	108,857	(108,857)
EXCESS OF REVENUES OVER EXPENDITURES	-	2,076	2,076
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	15,491	15,491	-
FUND BALANCES, END OF YEAR	$ 15,491	$ 17,567	$ 2,076

EFFINGHAM COUNTY, GEORGIA
IMPACT FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Investment earnings	-	-	$ 926	$ 926
EXPENDITURES				
Road projects	$ -	$ 175,000	170,561	4,439
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	(175,000)	(169,635)	5,365
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(112,950)	(112,950)
NET CHANGE IN FUND BALANCE	-	(175,000)	(282,585)	(107,585)
FUND BALANCES, BEGINNING OF YEAR	1,260,403	1,260,403	1,260,403	-
FUND BALANCES, END OF YEAR	$ 1,260,403	$ 1,085,403	$ 977,818	$ (107,585)

EFFINGHAM COUNTY, GEORGIA
DRUG SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Fines and forfeitures	$ 50,000	-	$ (50,000)
Investment earnings	-	$ 1	1
	50,000	1	(49,999)
EXPENDITURES			
Public safety	50,000	-	50,000
EXCESS OF REVENUES OVER EXPENDITURES	-	1	1
FUND BALANCES, BEGINNING OF YEAR	1,968	1,968	-
FUND BALANCES, END OF YEAR	$ 1,968	$ 1,969	$ 1

EFFINGHAM COUNTY, GEORGIA
STATE CONDEMNATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Fines and forfeitures	$ 50,000	$ 38,941	$ (11,059)
Investment earnings	-	4	4
Total revenues	50,000	38,945	(11,055)
EXPENDITURES			
Public safety	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,000	38,945	(11,055)
OTHER FINANCING SOURCES (USES)			
Transfers out	(50,000)	(38,941)	11,059
NET CHANGE IN FUND BALANCES	-	4	4
FUND BALANCES, BEGINNING OF YEAR	89	89	-
FUND BALANCES, END OF YEAR	$ 89	$ 93	$ 4

EFFINGHAM COUNTY, GEORGIA
E-911 FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Charges for services	$ 688,887	$ 688,887	$ 913,977	$ 225,090
Investment earnings	-	-	36	36
Total revenues	688,887	688,887	914,013	225,126
EXPENDITURES				
Current				
Public safety	858,223	882,223	877,904	4,319
Debt service				
Principal	111,000	111,000	111,552	(552)
Interest	31,000	31,000	31,239	(239)
Total expenditures	1,000,223	1,024,223	1,020,695	3,528
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(311,336)	(335,336)	(106,682)	228,654
OTHER FINANCING SOURCES (USES)				
Transfers in	311,336	311,336	-	(311,336)
NET CHANGE IN FUND BALANCE	-	(24,000)	(106,682)	(82,682)
FUND BALANCES, BEGINNING OF YEAR	403,429	403,429	403,429	-
FUND BALANCES, END OF YEAR	$ 403,429	$ 379,429	$ 296,747	$ (82,682)

EFFINGHAM COUNTY, GEORGIA
WIRELESS E-911 FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	-	-	-
FUND BALANCES, BEGINNING OF YEAR	$ 4,219	$ 4,219	-
FUND BALANCES, END OF YEAR	$ 4,219	$ 4,219	-

EFFINGHAM COUNTY, GEORGIA
JUVENILE SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Fines and forfeitures	-	$ 3,323	$ 3,323
Investment earnings	-	17	17
Total revenues	-	3,340	3,340
FUND BALANCES, BEGINNING OF YEAR	$ 22,499	22,499	-
FUND BALANCES, END OF YEAR	$ 22,499	$ 25,839	$ 3,340

EFFINGHAM COUNTY, GEORGIA
COUNTY JAIL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	-	-	$ 54,955	$ 54,955
Investment earnings	-	-	47	47
Total revenues	-	-	55,002	55,002
EXPENDITURES				
Debt service - Debt issuance costs	-	$ 21,000	20,116	884
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(21,000)	34,886	55,886
FUND BALANCES, BEGINNING OF YEAR	$ 461,794	461,794	461,794	-
FUND BALANCES, END OF YEAR	$ 461,794	$ 440,794	$ 496,680	$ 55,886

EFFINGHAM COUNTY, GEORGIA
FIRE TAXING DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Insurance premium taxes	$ 1,190,771	$ 1,190,771	$ 1,737,227	$ 546,456
Charges for services	1,000,000	2,737,227	913,287	(1,823,940)
Other	-	-	1,000	1,000
Total revenues	2,190,771	3,927,998	2,651,514	(1,276,484)
EXPENDITURES				
Public safety	2,190,771	2,190,771	2,148,954	41,817
EXCESS OF REVENUES OVER EXPENDITURES	-	1,737,227	502,560	(1,234,667)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,737,227)	(1,662,227)	75,000
NET CHANGE IN FUND BALANCE	-	-	(1,159,667)	(1,159,667)
FUND BALANCES, BEGINNING OF YEAR	1,154,505	1,154,505	1,154,505	-
FUND BALANCES, END OF YEAR	$ 1,154,505	$ 1,154,505	$ (5,162)	$ (1,159,667)

EFFINGHAM COUNTY, GEORGIA
INSPECTIONS & ZONING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Licenses and permits	$ 160,483	$ 160,483	$ 247,655	$ 87,172
Charges for services	-	-	5,785	5,785
Investment earnings	-	-	77	77
Total revenues	160,483	160,483	253,517	93,034
EXPENDITURES				
Housing and development	465,704	477,704	471,431	6,273
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(305,221)	(317,221)	(217,914)	99,307
OTHER FINANCING SOURCES				
Transfers in	305,221	305,221	300,000	(5,221)
NET CHANGE IN FUND BALANCE	-	(12,000)	82,086	94,086
FUND BALANCES, BEGINNING OF YEAR	63,147	63,147	63,147	-
FUND BALANCES, END OF YEAR	$ 63,147	$ 51,147	$ 145,233	$ 94,086

EFFINGHAM COUNTY, GEORGIA
SENIOR CITIZENS ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	-	$ 4,602	$ 4,602
Investment earnings	-	13	13
Total revenues	-	4,615	4,615
EXPENDITURES			
Health and welfare	$ 93,271	72,393	20,878
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(93,271)	(67,778)	25,493
OTHER FINANCING SOURCES			
Transfers in	93,271	93,000	(271)
NET CHANGE IN FUND BALANCE	-	25,222	25,222
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	10,689	10,689	-
FUND BALANCES, END OF YEAR	$ 10,689	$ 35,911	$ 25,222

EFFINGHAM COUNTY, GEORGIA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2013

	Water Impact Fees	Sewer Impact Fees	Landfill	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and cash equivalents	$ 24,809	$ 128,338	$ 19,790	$ 172,937
Receivables:				
Accounts	-	-	3,061	3,061
Interfund	-	29,056	-	29,056
Total Assets	24,809	157,394	22,851	205,054
LIABILITIES				
Current liabilities:				
Accounts payable	28,994	17,500	20,522	67,016
Accrued payroll	-	-	2,157	2,157
Unearned revenue	44,000	55,000	-	99,000
Compensated absences payable	-	-	4,582	4,582
Interfund payable	-	-	1,476	1,476
Total current liabilities	72,994	72,500	28,737	174,231
Long-Term liabilities:				
Compensated absences payable (net of current portion)	-	-	3,054	3,054
Total Liabilities	72,994	72,500	31,791	177,285
NET POSITION				
Unrestricted	$ (48,185)	$ 84,894	$ (8,940)	$ 27,769

EFFINGHAM COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water Impact Fees	Sewer Impact Fees	Landfill	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	$ -	$ -	$ 115,125	$ 115,125
OPERATING EXPENSES				
Salaries and employee benefits	-	-	114,915	114,915
Purchased services	-	-	125,769	125,769
Materials and supplies	-	-	14,829	14,829
Total operating expenses	-	-	255,513	255,513
OPERATING LOSS	-	-	(140,388)	(140,388)
NON-OPERATING REVENUES (EXPENSES)				
Impact fees	300,000	299,800	-	599,800
ERU charges	(120,185)	-	-	(120,185)
Investment earnings	51	83	7	141
Total non-operating revenues (expenses)	179,866	299,883	7	479,756
INCOME (LOSS) BEFORE TRANSFERS	179,866	299,883	(140,381)	339,368
TRANSFERS IN (OUT)	(187,818)	(235,883)	50,000	(373,701)
CHANGE IN NET POSITION	(7,952)	64,000	(90,381)	(34,333)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	(40,233)	20,894	81,441	62,102
NET POSITION, END OF YEAR	$ (48,185)	$ 84,894	$ (8,940)	$ 27,769

EFFINGHAM COUNTY, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water Impact Fees	Sewer Impact Fees	Landfill	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ -	$ -	$ 112,064	$ 112,064
Cash payments to employees for services	-	-	(115,023)	(115,023)
Cash payments for goods and services	-	-	(129,219)	(129,219)
Net cash used by operating activities	-	-	(132,178)	(132,178)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund transfers	-	-	50,000	50,000
Advances from (to) other funds	-	(29,056)	2,952	(26,104)
Net cash provided (used) by noncapital and related financing activities	-	(29,056)	52,952	23,896
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Impact fees	300,000	299,800	-	599,800
ERU charges	(115,685)	-	-	(115,685)
Interfund transfers	(187,818)	(235,883)	-	(423,701)
Net cash provided (used) by capital and related financing activities	(3,503)	63,917	-	60,414
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	51	83	7	141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,452)	34,944	(79,219)	(47,727)
CASH AND CASH EQUIVALENTS, JULY 1, 2012	28,261	93,394	99,009	220,664
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	$ 24,809	$ 128,338	$ 19,790	$ 172,937
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES				
Operating income (loss)	$ -	$ -	$ (140,388)	$ (140,388)
Adjustments:				
(Increase) decrease in operating assets				
Accounts receivable	-	-	(3,061)	(3,061)
Increase (decrease) in operating liabilities				
Accounts payable	-	-	11,379	11,379
Accrued payroll	-	-	(7,744)	(7,744)
Compensated absences payable	-	-	7,636	7,636
Net cash used by operating activities	$ -	$ -	$ (132,178)	$ (132,178)

EFFINGHAM COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

	Tax Commissioner	Probate Court	Clerk of Courts	Magistrate Court	Sheriff	Probation	Total
ASSETS							
Cash	$ 1,005,354	$ 159,953	$ 177,676	$ 20,807	$ 131,660	$ 27,941	$ 1,523,391
LIABILITIES							
Due to other entities and individuals	$ 1,005,354	$ 159,953	$ 177,676	$ 20,807	$ 131,660	$ 27,941	$ 1,523,391

EFFINGHAM COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012, As Restated	Additions	Deductions	Balance June 30, 2013
Tax Commissioner				
Assets				
Cash	$ 95,245	$ 57,384,790	$ 56,474,681	$ 1,005,354
Liabilities				
Due to other entities and individuals	$ 95,245	$ 57,384,790	$ 56,474,681	$ 1,005,354
Probate Court				
Assets				
Cash	$ 154,035	$ 308,845	$ 302,927	$ 159,953
Liabilities				
Due to other entities and individuals	$ 154,035	$ 308,845	$ 302,927	$ 159,953
Clerk of Courts				
Assets				
Cash	$ 212,164	$ 2,550,790	$ 2,585,278	$ 177,676
Liabilities				
Due to other entities and individuals	$ 212,164	$ 2,550,790	$ 2,585,278	$ 177,676
Magistrate Court				
Assets				
Cash	$ 21,648	$ 319,863	$ 320,704	$ 20,807
Liabilities				
Due to other entities and individuals	$ 21,648	$ 319,863	$ 320,704	$ 20,807
Sheriff				
Assets				
Cash	$ 99,690	$ 169,560	$ 137,590	$ 131,660
Liabilities				
Due to other entities and individuals	$ 99,690	$ 169,560	$ 137,590	$ 131,660
Probation				
Assets				
Cash	$ 45,568	$ 205,507	$ 223,134	$ 27,941
Liabilities				
Due to other entities and individuals	$ 45,568	$ 205,507	$ 223,134	$ 27,941
Total Agency Funds				
Assets				
Cash	$ 628,350	$ 60,939,355	$ 60,044,314	$ 1,523,391
Liabilities				
Due to other entities and individuals	$ 628,350	$ 60,939,355	$ 60,044,314	$ 1,523,391

EFFINGHAM COUNTY, GEORGIA
SCHEDULE OF PROJECTS PAID WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2013

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
2006 SPLOST						
Public buildings	$ 8,000,000	$ 8,000,000	$ 4,916,584	$ 1,936,000	$ 6,852,584	86%
Roads, streets and bridges	16,225,000	16,225,000	7,763,195	5,847,230	13,610,425	84%
Drainage projects	5,000,000	5,000,000	226,721	-	226,721	5%
Recreation projects	4,300,000	4,300,000	815,935	-	815,935	19%
Vehicles and equipment	3,000,000	3,000,000	820,329	194,069	1,014,398	34%
Technology projects	1,000,000	1,000,000	966,600	33,400	1,000,000	100%
Water and sewer	3,000,000	3,002,164	3,002,164	-	3,002,164	100%
Intergovernmental:						
City of Rincon	5,830,000	5,830,000	4,504,301	-	4,504,301	77%
City of Springfield	2,425,000	2,425,000	1,873,574	-	1,873,574	77%
City of Guyton	1,220,000	1,220,000	942,582	-	942,582	77%
	$50,000,000	$50,002,164	$25,831,985	8,010,699	$33,842,684	67.7%
Jail project funded by Certificates of Participation				3,114,074		
Roads projects funded by Department of Transportation grants				499,891		
2006 SPLOST total expenditures				$ 11,624,664		
2012 SPLOST						
County jail	$16,000,000	$16,000,000	$ -	$ -	$ -	0%
Public buildings	2,692,000	2,692,000	-	-	-	0%
Roads, streets and bridges	32,500,000	32,500,000	-	158,870	158,870	0%
Drainage projects	1,100,000	1,100,000	-	181,321	181,321	16%
Recreation projects	4,000,000	4,000,000	-	-	-	0%
Vehicles and equipment	2,875,000	2,875,000	-	-	-	0%
Technology projects	600,000	600,000	-	-	-	0%
Intergovernmental:						
City of Rincon	6,296,400	6,296,400	-	734,457	734,457	12%
City of Springfield	2,619,000	2,619,000	-	237,166	237,166	9%
City of Guyton	1,317,600	1,317,600	-	139,859	139,859	11%
	$70,000,000	$70,000,000	$ -	$ 1,451,673	$ 1,451,673	2.1%

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

To the Board of Commissioners
Effingham County, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Effingham County, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Effingham County's basic financial statements, and have issued our report thereon dated June 9, 2014. Our report includes a reference to other auditors who 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and 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 deficiencies described as 2013-1 and 2013-7 through 2013-9 in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as 2013-2 through 2013-6 and 2013-10 through 2013-13 in the accompanying schedule of findings to be significant deficiencies.

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 Standard* and which are described in the accompanying schedule of findings as items 2013-6, 2013-8, and 2013-10.

Effingham County, Georgia's Response to Findings

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

Purpose of this Report

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

Thigpen, Lanier, Waterfield & Deal

Statesboro, Georgia
June 9, 2013

2013-1 Inadequate control over year-end journal entries

Condition: During our audit we noted that some non-recurring journal entries were made incorrectly. Some entries were made to establish an allowance for doubtful accounts but did not record the allowance as an expense, and prior period adjustments were required to correct the errors. Furthermore, journal entries in the SPLOST fund were posted incorrectly.

Criteria: Adequate controls should be in place to ensure that all accounts have been adjusted in an accurate and timely manner.

Cause: There is inadequate oversight and/or separation of duties to ensure that all accounts are properly adjusted.

Effect: Errors in adjusting journal entries cause the financial reports to be less meaningful. Furthermore, it creates confusion and additional audit time. The likelihood that material misstatements will not to detected and corrected for other material items is strong due to the fact that some of these errors are recurring and have not been corrected.

Auditor's Recommendation: We recommend each account balance in the County's year-end financial statements be checked for accuracy by the finance director. This process should be documented by requiring the finance director to initial by each account in order to assign responsibility. We feel that this process should be completed within three months of year-end by September 30th of each year. Adherence to this timeline should be monitored by the County Administrator.

Management Response: We concur with the finding. While control procedures are in place for the year-end closing process, we recognize the importance of ensuring reviews and validation of balances on each account after subsequent postings. We will revise the system software to automatically post the allowances for doubtful accounts directly to appropriate accounts. We concur that having the finance director review and signoff on each account prior to the trial balance being submitted is a better control mechanism. We will demonstrate this by having the work papers for each general ledger account initialed by the finance director.

2013-2 Old Accounts Receivable Balances

Condition: During our audit we noted that there were old accounts receivable balances that have not changed in at least two years. These include receivables for old returned checks, etc. In many cases it is unlikely that these items will be collected. Some of these items have been outstanding for five years or more.

Criteria: Accounts receivable should be evaluated on a regular basis and only accounts that are collectible should remain in asset accounts.

Cause: The balances in these accounts have not been determined to be individually significant in the past and the Finance Director has been reluctant to write them off due to other factors such as future transactions that these individuals may attempt to enter into the County and the implementation of a final attempt at collection through the use of an outside agency.

Effect: While the balances in these accounts do not cause the financial statements to be materially misstated at this time, the practice of not evaluating these accounts on a regular basis could over time lead to a significant overstatement of assets. Furthermore, since these transactions are often put in accounts receivable through journal entries, an opportunity for fraud does exist.

Auditor's Recommendation: We recommend that the County Administrator with the assistance of the Finance Director review the balances remaining in these accounts at least annually. Anything that is not collectible should be written off and all unusual transactions and uncollected returned checks should be questioned.

Management Response: The balances in these accounts have not been determined to be individually significant in the past. Prior discussion and reviews of the amounts have been made with the county administrator. This past year the matter was brought before the board by the finance director. A request and recommendation was made to contract with a collection agency to ascertain the collectability and then constructively write off any of the uncollectible items once this process was in place. As such, the intent is to write off uncollectible items at the close of the 2014 fiscal year.

2013-3 Budget amendments not entered in financial reporting system

Condition: The County finance staff does not enter budget amendments in the financial reporting system as they are adopted throughout the year.

Criteria: Budget amendments should be entered as they are adopted in order to provide for accurate financial reporting.

Cause: The finance department's practice has always been to only input the original budget.

Effect: When budget amendments are not entered into the financial reporting system, County staff including department heads lack some of the information they need to make decisions and accept appropriate responsibility for budget adherence.

Auditor's Recommendation: Budget amendments should be entered into the financial reporting system as they are adopted in order to provide accurate financial reporting.

Management Response: In prior years additional funds were budgeted at the departmental level. At the board's request the original budgets were maintained on the financial statements with budget amendments being shown only by resolution. Prior software limited our ability to isolate the amendments without labor intensive efforts. Staff concurs with the change in the application to reflect approved budget amendments within the financial reporting system.

This will be more meaningful due to the overall departmental budget reductions and implementation of specific pooling budget areas like travel, information technology, and contingency. Our current software version will allow us to track and isolate these amendments while maintaining the original budgeted amount. We have already started this process within the monthly financial statements prepared for the board and will implement this within the county wide financials starting in the new fiscal year of 2015. To further help in the review of budgets to actual expenditures staff has implemented a monthly budget information folder for each department with detail listings of all expenditures.

2013-4 Inadequate controls over expenditures

Condition: During our review of expenditures, we noted that purchase orders are often not completed until after a purchase is made, especially for purchases under $1,500. Some of these expenditures caused certain line items to be over budget.

Criteria: The purpose of a purchase order is to obtain approval for an expenditure prior to its occurrence. When purchase orders are allowed to be completed after a purchase has been made it creates a culture in which the appearance of compliance is more important that proper stewardship.

Cause: County staff has not been required to get purchase orders in advance on smaller purchases.

Effect: Budget line items could be overspent, especially as there are not adequate controls for budgetary monitoring and control. Furthermore, not requiring purchase orders in advance allows more potential for frivilous spending and abuse.

Auditor's Recommendation: We recommend the county review their purchasing policy and require purchase orders to be prepared prior to purchases.

Management Response: Prior to the date of this finding, the purchasing and finance departments have continually addressed this issue through administration. The Board of Commissioners addressed this issue in November, 2013. Financial policies were put into place in an effort to address these areas at the county wide and departmental levels. During this time we reviewed the purchasing policy, making it a part of the financial policies. Adhering to the purchasing policy protocol and specific incidents were addressed in a county wide departmental meeting this year. Department staffs were requested to acknowledge receipt of the policies. Additional education and department discussions are being conducted. The finance department has become a part of the presentations to new hires in order to help address this. The finance department is documenting the potential issues and turning them over to the administrator as prescribed. New steps have been taken by the administrator and finance director to place the issues in writing and meet with departments as needed to address this.

2013-5 Noncompliance with County's purchasing policy for contracts

Condition: During our audit we noted that a contract for services that was not prepared and signed until after services had been rendered.

Criteria: In adherence with the purchasing policy, contracts should be obtained prior to the performance of services or delivery of goods.

Cause: The County did not adhere to their purchasing policy.

Effect: Controls over expenditures are weakened. Additionally, failing to comply with the County's purchasing policy could result in overspending and abuse.

Auditor's Recommendation: All contracts should be prepared and signed prior to the rendering of services or delivery of goods. No checks should be processed by the finance department unless there is evidence of compliance with this policy.

Management Response: Prior to the date of this finding, the Board of Commissioners began to address these issues by requesting a process be developed through the purchasing department to identify services and contracts. Financial policies were put into place in November 2013 which began to address these issues at the departmental level and administration to prevent services from being entered into without proper authorizations and approved contracts in place. All contracts and services are being administered through the purchasing department now. These incidents and issues were addressed in a departmental meeting and departmental staffs were requested to acknowledge receipt of the policies. The purchasing and finance departments are documenting incidents. The administrator is being informed of any item not within compliance, but then the item is being brought directly to the Board of Commissioners for review and approval.

2013-6 Inadequate conflict of interest and related party controls

Condition: During our audit we noted several related party transactions that were in excess of the quarterly limit of $800 set forth in the Official Code of Georgia. The purchasing agent was unaware that these companies were owned by individuals related to members of the Board of Commissioners.

Criteria: At least annually, full disclosure should be made of all potential related parties by the County's staff and governing board.

Cause: The County does not have adequate controls in place to ensure that these transactions are flagged at the appropriate level prior to the occurrence of the transactions.

Effect: Inadequate monitoring and disclosure of these transactions can result in noncompliance with Georgia Law.

Auditor's Recommendation: We recommend the County's staff and governing board complete a related party disclosure questionnaire at least annually. This information should be compiled by the purchasing agent and distributed to the County Administrator, staff charged with Accounts Payable processing, and also the Finance Director.

Management Response: Prior to the date of this finding, the Board of Commissioners began to address these issues by asking for a process to be developed within the purchasing department to identify services by related parties. Administrative staff has been made aware of their responsibility as well as the Board of Commissioners. As indicated in last year's audit responses, the County has adopted the recommendation 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. A list is to be created on an annual basis of the potential related parties or entities by purchasing so that staff and officials are aware.

2013-7 Unrecorded liabilities and the year-end closing schedule

Condition: In February, 2014 we were provided with adjusting journal entries to record additional unrecorded liabilities for the June 30, 2013 financial statements.

Criteria: Internal controls should ensure that material misstatements to the financial statements are detected and corrected in a timely and efficient manner. While these entries were provided to us by county staff, these entries should have been posted to the original trial balances provided to us in late October, 2013.

Cause: The County's year-end closing procedures are not adequate to ensure that all liabilities are recorded in a timely manner.

Effect: Significant unrecorded liabilities existed when the final trial balances were provided to the auditors.

Auditor's Recommendation: Three months should be adequate time to complete the year-end closing for the County's accounting records. As part of year-end closing, we recommend that a more in depth search for unrecorded liabilities be performed by the County's financial staff. Some of the unrecorded transactions were unusual in nature and appeared to have inadequate approval prior to the occurrence of the transaction. Even though policies were not followed, once the services are rendered or goods are received, the County has still incurred a liability that should be reflected in not only the County's financial reports, but also in Accounts Payable reports used by management.

Management Response: The purchasing department identifies and ascertains purchases made to the extent possible. The finance department then records the transactions upon receipt of the information. Transactions and information was received by purchasing and the finance department after the initial drafting of the trial balance. Self disclosed (internally detected)

entries were submitted by the finance staff. This together with auditor drafted entries denoted unrecorded liabilities. Written monthly and fiscal year end closing processes have been established and used for numerous years. This preliminary process begins with a checklist of items, emails to all departments, a review by purchasing of outstanding purchase orders, calls or emails to vendors requesting any outstanding items and follow-up in these various areas. Reconciliations and review includes the reconciliation of balance sheet accounts and a review of the income and expenditures. We strongly concur that year-end closing can proceed to a final trial balance within a shorter time period. Completion without subsequent entries is contingent upon the timely receipt of all financial transactions and information necessary to close the year. To improve the process, finance will set a Year End closing calendar to include processes, information and timelines for all departments involved. The calendar will be approved by and reported on to the board. This issue was discussed with the board during the past years audit. Steps have been taken to place controls over the procurement of goods and to address the timely receipt of financial transactions. This was not fully implemented until after the year end closing process. We believe that the new financial policies and monitoring of adherence will help to negate these issues.

2013-8 Noncompliance with water and sewer agreements

Condition: We noted there was significant confusion related to several water and sewer agreements. One agreement which requires the repayment of impact fees as they were collected on a quarterly basis has not been complied with and no payments have been made to the developer for this agreement.

Criteria: The impact of all agreements entered into by the County should be properly reflected in the financial statements when there is a financial impact.

Cause: The County has not assigned responsibility for ensuring compliance with these contracts and therefore has no established procedures in place to achieve this objective.

Effect: The County has failed to capture a significant payable in the financial statements.

Auditor's Recommendation: All water and sewer agreements should be evaluated by the Finance Director at inception to determine proper accounting practices and payment terms. Compliance with these and all other agreements should be evaluated at least annually by the County Administrator.

Management Response: The Board of Commissioners began to address these issues by discussing the need for a process to be developed to review and make determinations regarding these agreements. In conjunction with this, the finance department developed a comprehensive spreadsheet of the open water and sewer contracts and began to review the status of each. The non-compliance and liability was discovered. An internally detected self disclosed entry was provided to the auditor. Management concurs with the need to implement a process inclusive of Developmental Services, the County Engineer, Administrator and Finance Director to periodically review compliance with the vast number

of water and sewer contracts. Inherent issues within the structure of the contracts, diversity in stipulations and parameters creates various issues with interpretation, compliance and legal issues. Intricate knowledge is necessary from various sources in order to ascertain and insure compliance. In this instance and others, a knowledge of which parcels apply to each contract is necessary to make a determination if payment may be due. Management concurs with the need to address the contracts and will develop a committee to review these contracts and evaluation by the administrator at least annually.

2013-9 Special revenue funds not recorded in annual financial statements

Condition: Activity for special revenue funds related to the Effingham County Prison has not been recorded in the financial statements of the County in previous years. Furthermore, activity related to special revenue funds held by the Sherriff's department has been incorrectly reported as agency funds in prior years.

Criteria: All financial activity for the County should be reflected in the County's annual financial statements. Fiduciary fund financial statements should include only those accounts that the County maintains in a custodial capacity to collect and remit fiduciary resources.

Cause: The County's financial staff has either not requested or not had access to this information in the past to capture it in the financial reporting software.

Effect: Certain special revenue activity has not been captured in the financial statements. Furthermore, some of these funds were used to purchase capital assets during the year ended June 30, 2013. It is likely these funds were used to purchase capital assets in the past, and these assets would not have been reflected in the County's general fixed asset records.

Auditor's Recommendation: At a minimum, this information should be summarized by the staff of the finance department and entered into the financial reporting software annually to ensure inclusion in the annual financial statements.

Management Response: Management concurs with the need to implement a process of recording these financial transactions and budgets as part of the County's financial statements. This issue was addressed in 2009 and again in November, 2013. In conjunction with the new financial policies, the finance department has already incorporated several of the accounts and the financial transactions into the County's financial statements for the current year.

2013-10 Budgets not adopted for certain special revenue funds

Condition: Budgets were not adopted for special revenue funds for the Effingham County Prison and Sherriff's department that are not included in the County's financial reporting software.

Criteria: Budgets should be adopted for all special revenue funds to ensure proper stewardship and compliance with Georgia law.

Cause: The County does not have established procedures to capture this information for budgeting purposes.

Effect: The County has not complied with Georgia law related to the adoption of budgets for all County funds.

Auditor's Recommendation: Budgets for these funds should be adopted as part of the annual budgeting process.

Management Response: Management concurs with the need to implement a process of recording these financial transactions and budgets as part of the County's financial statements. This issue was addressed in 2009 and again in November, 2013. In conjunction with the new financial policies, the finance department has already incorporated several of the accounts and their financial transactions into the County's financial statements for the current year.

2013-11 Sheriff – Excess funds

Condition: Excess funds were noted in the Sherriff's fiduciary funds.

Criteria: Fiduciary funds should hold only funds for which a consititutional officer serves in a custodial capacity. All passthrough funds should be distributed out monthly. Therefore the ending cash balance for any given month should not be materially different from the amount to be disbursed out in the subsequent month.

Cause: The Sherriff's department has not reconciled the ending cash balance to monthly collections and disbursement reports in previous years.

Effect: An excess amount of cash has accumulated.

Auditor's Recommendation: The County should investigate the excess funds for at least the past five years to determine where the overage originated from. If the County is not able to determine the source of the overage, the excess funds should be turned over to the Board of Commissioners.

Management Response: Management concurs with the need to determine from where the overage originated. We will work with the Sheriff department to help determine the source of the overage within the accounts and make proper distribution to all appropriate entities.

2013-12 Tax Commissioner – Excess funds

Condition: Excess funds were noted in the Tax Commissioner's fiduciary funds.

Criteria: Fiduciary funds should hold only funds for which a consititutional officer serves in a custodial capacity. All passthrough funds should be distributed out monthly. Therefore the ending cash balance for any given month should not be materially different from the amount to be disbursed out in the subsequent month.

Cause: The Tax Commissioner's office has not reconciled the ending cash balance to monthly collections and disbursement reports in previous years.

Effect: An excess amount of cash has accumulated.

Auditor's Recommendation: The County should investigate the excess funds for at least the past five years to determine where the overage originated from. If the County is not able to determine source of the overage, the excess funds should be turned over to the Board of Commissioners.

Management Response: Management concurs with the protocol and need to determine from where the overage originated. We will work with the Tax Commissioner's office to help determine the source of the overage within the accounts and make proper distribution to all appropriate entities.

2013-13 Timeliness of Deposits

Condition: We noted checks received from the Georgia Department of Transportation for road projects that were older than 60 days when they were deposited.

Criteria: All funds received by the County should be deposited in a timely manner.

Cause: County staff was uncertain of how to handle these funds when received.

Effect: Checks held were significant in amount and caused interim financial reports to be materially misstated. Furthermore, holding checks and depositing them in an untimely manner creates the opportunity for these instruments to become misplaced and revenue could potentially be lost by the County, especially without additional oversight over financial reporting.

Auditor's Recommendation: Deposits should be made daily for all funds received by the County.

Management Response: We concur with the protocol to deposit checks in a timely manner. In these instances a shift in process was being made in order to accommodate the tracking of all capital projects expenditures and revenues from one fund along with facilitating direct ACH depositing. The fund is regulated. The finance department inquired regarding our ability to handle these funding sources concurrently within the same fund. A request was made to have the funds ACH to the County. Responses took longer than anticipated but resulted in staff being able to simplify the transaction reporting and have the funding deposited directly by ACH into the fund. The monthly finance checklist has been updated to address additional inquiry and to ensure timely deposits.