LINCOLN COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

LINCOLN COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
of Lincoln County, Georgia
Lincolnton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Lincoln County, Georgia (the "County")**, as of and for the year ended June 30, 2010, which collectively comprise Lincoln County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lincoln County Health Department, which statements reflect total assets of $70,957 as of June 30, 2010, and total revenues of $213,860 for the year ended June 30, 2010. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Lincoln County Health Department, is based on the report of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Georgia as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, on our consideration of Lincoln County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (on pages 3 through 10) and the Schedule of Funding Progress on page 50 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Lincoln County, Georgia. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
December 15, 2010

LINCOLN COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

The Management's Discussion and Analysis of the Annual Financial Report of Lincoln County, Georgia (the County) provides an overall narrative and analysis of the County's financial statements for the fiscal year ended June 30, 2010. This discussion and analysis is designed to look at the County's financial performance as a whole. Readers should also review the complete financial statements, with notes, which follow this narrative, for a better understanding of the County's financial performance.

Financial Highlights

- The assets of Lincoln County exceeded its liabilities at June 30, 2010, by $26,611,698 (net assets).

- At June 30, 2010, the County's governmental funds reported combined ending fund balances of $2,225,388, an increase of $397,803 or 21.77% in comparison with the prior year. Of this amount, $1,589,831 remains in the various funds as unreserved and undesignated.

- At June 30, 2010, the County's General Fund reported an unreserved, undesignated fund balance of $1,174,064, an increase of $217,615 or 22.75% from the last fiscal year.

- The County's 2005 SPLOST Capital Project Fund closed fiscal year 2010 with a fund balance of $195,679.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of Lincoln County, Georgia's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the notes, which explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's non-major governmental funds and other information which provide additional information for the basic financial statements.

Government-wide Financial Statements

The Government-wide financial statements provide a broad picture of the County's operations. The statements provide information about the County's financial position, which assists in assessing the economic condition at the end of the fiscal year. These statements are prepared using the flow of economic resources measurement focus and the modified-accrual basis of accounting. This means the statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or disbursed. The government-wide financial statements include the following two statements:

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g. uncollected taxes).

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the County's basic services such as general government, public safety, public works, health and welfare, and culture and recreation. Property taxes, sales taxes, and state and federal grant funds finance most of these activities. The business-type activities are those services that the County charges a fee to customers in order to provide. These include the Water Fund and Solid Waste Fund.

The final category is component units. The Lincoln County Development Authority serves to promote, pursue, and implement economic development in the County. The Lincoln County Health Department is a public health department. Although legally separate from the County, the County appoints a voting majority of the boards for the Development Authority, Recreation Authority, and the Board of Health. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the County, reporting the County's operations in more detail than the government-wide statements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds

Most of the basic services provided by the County are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide statements, these funds focus on how assets can readily be converted into cash and the amount of funds left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified-accrual accounting, which focuses on current financial resources. Such information may be useful in evaluating the county's short-term financing requirements. These statements provide a detailed short-term view of the County's finances that assists in determining whether there will be adequate financial resources available to meet the County's current needs. The relationship between government activities in the government-wide financial statements and the governmental funds financial statements is described in a reconciliation that is a part of the fund financial statements.

The County has three governmental fund types: the General Fund, Special Revenue Funds, and Capital Projects Fund.

Proprietary Funds

The County operates two enterprise funds to account for activities that operate similar to commercial enterprises found in the private sector. Funds that charge fees for services provided to outside customers are known as Enterprise Funds. Proprietary funds use the accrual basis of accounting; thus there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The County has two enterprise funds: the Solid Waste Fund and the Water Fund.

Fiduciary Funds

The Fiduciary Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and other Lincoln County departments. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These funds are not reflected in the government-wide financial statements because the resources are not available to support the County's operations or programs.

Government-wide Financial Analysis

The Governmental Accounting Standards Board (GASB) requires the use of government-wide financial statements for comparative reporting. The comparative data is provided below.

Net Assets

Net Assets may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by $26,611,698 as of June 30, 2010. Of the $26,611,698, $15,980,572 resulted from the County's governmental activities, and $10,631,126 resulted from the County's business-type activities.

The largest portion of Lincoln County's net assets, 91.1%, reflects its investment in capital assets such as land, buildings, equipment, and roads. Lincoln County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Lincoln County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	2,910,309	3,108,816	578,983	526,870	3,489,292	3,635,686
Capital assets	13,770,651	14,434,716	14,777,146	14,964,978	28,547,797	29,399,694
Total assets	16,680,960	17,543,532	15,356,129	15,491,848	32,037,089	33,035,380
Long-term liabilities outstanding	193,915	244,199	4,308,062	4,259,837	4,501,977	4,504,036
Other liabilities	506,473	1,122,445	416,941	403,153	923,414	1,525,598
Total liabilities	700,388	1,366,644	4,725,003	4,662,990	5,425,391	6,029,634
Net assets:						
Invested in capital assets, net of related debt	13,642,106	14,255,302	10,611,193	10,857,059	24,253,299	25,112,361
Restricted	195,679	82,629	142,109	126,343	337,788	208,972
Unrestricted	2,142,787	1,838,957	(122,176)	(154,544)	2,020,611	1,684,413
Total net assets	15,980,572	16,176,888	10,631,126	10,828,858	26,611,698	27,005,746

An additional portion of Lincoln County's total net assets (1.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of total unrestricted net assets, 7.6% may be used to meet the Government's ongoing obligations to citizens and creditors.

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

Governmental activities decreased the County's net assets by $196,316 in 2010. Key elements of this decrease are as follows:

Lincoln County Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	1,441,555	1,140,001	1,269,177	1,200,466	2,710,732	2,340,467
Operating grants and contributions	1,000,385	1,012,021	-	-	1,000,385	1,012,021
Capital grants and contributions	131,888	1,540,327	4,800	-	136,688	1,540,327
General Revenues:						
Property taxes	2,929,477	3,069,419	-	-	2,929,477	3,069,419
Other taxes	1,752,755	1,743,474	-	-	1,752,755	1,743,474
Investment Income	4,183	20,538	2,955	3,437	7,138	23,975
Gain on sale of assets	8,546	-	-	-	8,546	-
Total Revenues	7,268,789	8,525,780	1,276,932	1,203,903	8,545,721	9,729,683
Expenses						
General government	1,881,884	1,870,366	-	-	1,881,884	1,870,366
Judicial	498,188	581,749	-	-	498,188	581,749
Public safety	2,504,723	2,465,366	-	-	2,504,723	2,465,366
Public works	1,416,046	1,553,828	-	-	1,416,046	1,553,828
Health and welfare	556,385	545,786	-	-	556,385	545,786
Culture and recreation	249,262	132,309	-	-	249,262	132,309
Housing and development	285,222	349,327	-	-	285,222	349,327
Interest on long-term debt	7,000	10,878	-	-	7,000	10,878
Water	-	-	880,884	894,897	880,884	894,897
Solid waste	-	-	660,175	677,209	660,175	677,209
Total expenses	7,398,710	7,509,609	1,541,059	1,572,106	8,939,769	9,081,715
Change in net assets before transfers	(129,921)	1,016,171	(264,127)	(368,203)	(394,048)	647,968
Transfers	(66,395)	(55,780)	66,395	55,780	-	-
Change in net assets	(196,316)	960,391	(197,732)	(312,423)	(394,048)	647,968
Net assets, beginning of year	16,176,888	15,216,497	10,828,858	11,141,281	27,005,746	26,357,778
Net assets, end of year	15,980,572	16,176,888	10,631,126	10,828,858	26,611,698	27,005,746

Financial Analysis of the Government's Funds

Lincoln County uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financial requirements. In particular, the unreserved fund balance may serve as a useful measure of a county's net resources available for spending at the end of the fiscal year. At the end of the 2010 fiscal year, the combined fund balance of all the governmental funds is $2.2 million, of which $2,191,603, or 98.48%, was unreserved.

General Fund

The General Fund is the primary operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was $1,174,064, while total fund balance was $1,809,621. Total fund balance increased $236,006 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32.24% of total General Fund expenditures while total fund balance represents 32.85% of that same amount.

Capital Projects Fund

The County uses Capital Projects Funds to account for the acquisition and construction of major capital facilities that are not financed by Proprietary Funds. A major fund in the fund financial statements is the Special Purpose Local Option Sales Tax (SPLOST) Fund. The proceeds of the special purpose 1% sales tax are accounted for in this Capital Projects Fund until expenditures are incurred. The fund balance of the SPLOST Fund increased $113,050 to a balance of $195,679 primarily due to the accumulation of funds to pay off outstanding debt for a recreation project.

Special Revenue Funds

There are eight funds accounted for in the Nonmajor Governmental Funds section. They are the Hotel/Motel Tax Fund, E911 Fund, Law Library Fund, Rural Health Outreach Fund, Family Connection Fund, Drug Education Fund, the FAST Start Grant Fund, and Jail Fund. These funds are used to account for revenues and expenditures specifically dealing with these areas. Total fund balances increased by $48,747 for the year.

Proprietary Funds

Lincoln County's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

At the end of the current fiscal year, unrestricted net assets of the Water Fund were $58,810, a decrease of $11,603. The Solid Waste Fund reported a deficit of unrestricted net assets in the amount of ($180,986), an increase of $43,971. For the year ended June 30, 2010, the proprietary funds reflected total net assets of $10,631,126.

General Fund Budgetary Highlights

The original budget was increased by $149,000 due to increased revenues and a grant. The General Fund revenues, budgetary (cash) basis, were $6,336,953. Expenses were $6,047,716. The transfer out of $66,395 was for the Solid Waste Fund. There was an excess of revenues over expenditures in the amount of $289,237.

Capital Assets and Debt Administration

Lincoln County's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to $28,547,797 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, infrastructure (roads), and construction in progress. For additional information regarding capital assets see Note 6 in the Notes to Financial Statements.

Lincoln County
Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	581,903	581,903	-	-	581,903	581,903
Land improvements	126,770	126,770	87,753	87,753	214,523	214,523
Water system and lines	-	-	17,061,307	17,061,307	17,061,307	17,061,307
Infrastructure	22,130,609	22,095,017	-	-	22,130,609	22,095,017
Buildings	4,089,496	2,771,159	-	-	4,089,496	2,771,159
Furniture and equipment	873,494	941,994	119,777	119,777	993,271	1,061,771
Vehicles	1,381,925	1,371,669	51,169	51,169	1,433,094	1,422,838
Construction in progress	20,885	1,275,071	295,368	124,185	316,253	1,399,256
Total	29,205,082	29,163,583	17,615,374	17,444,191	46,820,456	46,607,774
Accumulated depreciation	15,434,431	14,728,867	2,838,228	2,479,213	18,272,659	17,208,080
Net capital assets	13,770,651	14,434,716	14,777,146	14,964,978	28,547,797	29,399,694

Lincoln County's outstanding debt as of June 30, 2010 was $4.5 million for its governmental and business-type activities, with $226,917 payable within one year. Approximately 96% of outstanding debt is for the County's business-type activities. For additional information regarding the County's long-term debt, see Note 7 in the Notes to Financial Statements.

Economic Factors and Next Year's Budget

Many economic factors were considered when preparing the 2011 budget:

- the weakened economy
- the discontinuation of the Homeowner's Tax Relief Grant
- the tax valuation freeze
- increases in state fees and charges
- ongoing changes in state legislation
- the decrease in sales tax revenues
- the decrease in the tax digest due to Conservation Use Valuation Assessment
- increases in the cost of fringe benefits

In addition to the factors listed above, the County is dealing with old buildings that are in need of repair, an aging fleet of vehicles, and space shortages for record retention and personnel. The maintenance of county roads continues to be a primary concern to the citizens.

Requests for Information

This financial report is designed to provide a general overview of Lincoln County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Wade Johnson, Chairman, P.O. Box 340, Lincolnton, Georgia 30817.

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LINCOLN COUNTY, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 2,018,340	$ 298,699	$ 2,317,039
Taxes receivable	233,730	-	233,730
Accounts receivable, net of allowances	143,790	126,176	269,966
Due from other governments	378,248	15,750	393,998
Due from component unit	12,483	-	12,483
Due from primary government	-	-	-
Internal balances	43,055	(43,055)	-
Inventories	27,778	-	27,778
Prepaid items	6,007	-	6,007
Restricted assets, cash	-	181,413	181,413
Capital assets, non-depreciable - held for resale	-	-	-
Capital assets, non-depreciable	602,788	295,368	898,156
Capital assets, depreciable, net of accumulated depreciation	13,167,863	14,481,778	27,649,641
Other assets	46,878	-	46,878
Total assets	16,680,960	15,356,129	32,037,089
LIABILITIES			
Accounts payable	151,263	101,622	252,885
Accrued liabilities	213,697	11,987	225,684
Unearned revenues	49,480	303,332	352,812
Due to other governments	91,568	-	91,568
Due to component unit	465	-	465
Due to primary government	-	-	-
Capital leases due within one year	51,326	-	51,326
Capital leases due in more than one year	52,075	-	52,075
Compensated absences due within one year	40,000	-	40,000
Compensated absences due in more than one year	25,370	4,209	29,579
Notes payable due within one year	8,866	77,571	86,437
Notes payable due in more than one year	16,278	1,655,582	1,671,860
Bonds payable due within one year	-	39,304	39,304
Bonds payable due in more than one year	-	2,393,496	2,393,496
Landfill due within one year	-	9,850	9,850
Landfill due in more than one year	-	128,050	128,050
Total liabilities	700,388	4,725,003	5,425,391
NET ASSETS			
Invested in capital assets, net of related debt	13,642,106	10,611,193	24,253,299
Restricted for:			
Other purposes	-	-	-
Capital projects	195,679	-	195,679
Debt service	-	142,109	142,109
Unrestricted (deficit)	2,142,787	(122,176)	2,020,611
Total net assets	$ 15,980,572	$ 10,631,126	$ 26,611,698

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

Component Units		
Lincoln County Health Department	Development Authority of Lincoln County	Recreation Authority
$ 70,208	$ 524,745	$ 4,022
-	17,379	-
-	-	-
749	-	-
-	-	-
-	6,667	-
-	-	-
-	-	-
-	6,030	-
-	-	-
-	100,211	-
-	24,877	-
-	4,365,199	-
-	-	-
70,957	5,045,108	4,022
-	8,797	-
-	6,592	-
-	-	-
-	-	-
-	-	-
-	12,483	-
-	-	-
-	-	-
-	-	-
12,884	-	-
-	86,164	-
-	1,060,181	-
-	50,569	-
-	414,820	-
-	-	-
-	-	-
12,884	1,639,606	-
-	2,778,342	-
61,199	-	-
-	-	-
-	-	-
(3,126)	627,160	4,022
$ 58,073	$ 3,405,502	$ 4,022

LINCOLN COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,881,884	$ 192,189	$ 149,273	$ -
Judicial	498,188	170,825	159,067	17,250
Public safety	2,504,723	1,000,133	40,789	79,046
Public works	1,416,046	17,350	129,780	35,592
Health and welfare	556,385	16,309	435,896	-
Culture and recreation	249,262	26,408	-	-
Housing and development	285,222	18,341	85,580	-
Interest on long-term debt	7,000	-	-	-
Total governmental activities	7,398,710	1,441,555	1,000,385	131,888
Business-type activities:				
Water	880,884	636,438	-	4,800
Solid waste	660,175	632,739	-	-
Total business-type activities	1,541,059	1,269,177	-	4,800
Total primary government	$ 8,939,769	$ 2,710,732	$ 1,000,385	$ 136,688
Component units:				
Lincoln County Health Department	$ 199,620	$ 61,434	$ 152,426	$ -
Development Authority of Lincoln County	374,287	227,276	5,997	4,526
Recreation Authority	-	-	-	-
Total component units	$ 573,907	$ 288,710	$ 158,423	$ 4,526
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

Net (Expenses) Revenues and Changes in Net Assets						
				Component Units		
Governmental Activities	Business-type Activities	Total	Lincoln County Health Department	Development Authority of Lincoln County	Recreation Authority
$ (1,540,422)	$ -	$ (1,540,422)	$ -	$ -	$ -
(151,046)	-	(151,046)	-	-	-
(1,384,755)	-	(1,384,755)	-	-	-
(1,233,324)	-	(1,233,324)	-	-	-
(104,180)	-	(104,180)	-	-	-
(222,854)	-	(222,854)	-	-	-
(181,301)	-	(181,301)	-	-	-
(7,000)	-	(7,000)	-	-	-
(4,824,882)	-	(4,824,882)	-	-	-
-	(239,646)	(239,646)	-	-	-
-	(27,436)	(27,436)	-	-	-
-	(267,082)	(267,082)	-	-	-
(4,824,882)	(267,082)	(5,091,964)	-	-	-
-	-	-	14,240	-	-
-	-	-	-	(136,488)	-
-	-	-	-	-	-
-	-	-	14,240	(136,488)	-
2,929,477	-	2,929,477	-	296,066	-
1,303,547	-	1,303,547	-	-	-
449,208	-	449,208	-	8,218	-
4,183	2,955	7,138	-	1,516	14
8,546	-	8,546	-	-	-
(66,395)	66,395	-	-	-	-
4,628,566	69,350	4,697,916	-	305,800	14
(196,316)	(197,732)	(394,048)	14,240	169,312	14
16,176,888	10,828,858	27,005,746	43,833	3,236,190	4,008
$ 15,980,572	$ 10,631,126	$ 26,611,698	$ 58,073	$ 3,405,502	$ 4,022

LINCOLN COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	SPLOST Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 1,251,791	$ 499,619	$ 266,930	$ 2,018,340
Taxes receivable	156,817	75,408	1,505	233,730
Accounts receivable, net of allowances	108,081	-	35,709	143,790
Due from other governments	165,854	-	212,394	378,248
Due from component unit	12,483	-	-	12,483
Due from other funds	588,687	-	-	588,687
Prepaid items	6,007	-	-	6,007
Inventories	27,778	-	-	27,778
Total assets	$ 2,317,498	$ 575,027	$ 516,538	$ 3,409,063
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 110,484	$ 29,858	$ 10,921	$ 151,263
Accrued liabilities	210,164	-	2,989	213,153
Deferred revenues	178,670	2,924	-	181,594
Due to other governments	8,559	82,909	100	91,568
Due to component unit	-	-	465	465
Due to other funds	-	263,657	281,975	545,632
Total liabilities	507,877	379,348	296,450	1,183,675
FUND BALANCES				
Fund balances:				
Reserved for:				
Prepaid items	$ 6,007	$ -	$ -	$ 6,007
Inventory	27,778			27,778
Unreserved, designated for:				
Subsequent year's budget	601,772	-	-	601,772
Unreserved, undesignated reported in:				
General fund	1,174,064	-	-	1,174,064
Special revenue funds	-	-	220,088	220,088
Capital projects funds	-	195,679	-	195,679
Total fund balances	1,809,621	195,679	220,088	2,225,388
Total liabilities and fund balances	$ 2,317,498	$ 575,027	$ 516,538	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,770,651
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	132,114
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(194,459)
Net pension asset used in governmental activities is not a financial resource and, therefore, is not reported in the funds.	46,878
Net assets of governmental activities	$ 15,980,572

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	SPLOST Fund	Other Governmental Funds	Total
Revenues				
Taxes	$ 3,919,412	$ 734,635	$ 17,068	$ 4,671,115
Licenses and permits	24,773	-	-	24,773
Intergovernmental	466,944	-	516,407	983,351
Charges for services	1,103,684	-	162,909	1,266,593
Fines and forfeitures	75,661	-	15,380	91,041
Investment income	4,124	-	59	4,183
Rental income	43,355	-	-	43,355
Miscellaneous	127,287	1,836	-	129,123
Total revenues	5,765,240	736,471	711,823	7,213,534
Expenditures				
Current:				
General government	1,788,864	-	-	1,788,864
Judicial	342,793	-	155,395	498,188
Public safety	2,101,330	-	126,390	2,227,720
Public works	539,220	-	-	539,220
Health and welfare	193,910	-	362,019	555,929
Culture and recreation	226,918	-	-	226,918
Housing and development	274,265	-	19,272	293,537
Intergovernmental	-	89,727	-	89,727
Capital outlay	-	489,606	-	489,606
Debt service:				
Principal	35,429	42,752	-	78,181
Interest and fiscal charges	5,427	1,336	-	6,763
Total expenditures	5,508,156	623,421	663,076	6,794,653
Excess of revenues over expenditures	257,084	113,050	48,747	418,881
Other financing sources (uses):				
Proceeds from sale of assets	18,005	-	-	18,005
Capital leases	27,312	-	-	27,312
Transfers out	(66,395)	-	-	(66,395)
Total other financing sources (uses)	(21,078)	-	-	(21,078)
Net change in fund balances	236,006	113,050	48,747	397,803
Fund balances, beginning of year	1,573,615	82,629	171,341	1,827,585
Fund balances, end of year	$ 1,809,621	$ 195,679	$ 220,088	$ 2,225,388

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

LINCOLN COUNTY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Net change in fund balances - total governmental funds	$	397,803
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(690,198)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		26,133
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		11,117
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		50,869
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		7,960
	$	(196,316)

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

LINCOLN COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (NON GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 3,497,871	$ 3,497,871	$ 3,499,416	$ 1,545
Sales taxes	591,000	591,000	599,543	8,543
Other taxes	414,100	414,100	434,139	20,039
Licenses and permits	39,800	39,800	27,643	(12,157)
Intergovernmental	302,031	302,031	459,648	157,617
Charges for services	884,493	914,493	1,089,633	175,140
Fines and forfeitures	91,500	91,500	81,512	(9,988)
Investment income	12,000	12,000	3,969	(8,031)
Rental income	35,680	35,680	43,205	7,525
Miscellaneous	124,558	243,558	98,245	(145,313)
Total revenues	5,993,033	6,142,033	6,336,953	194,920
Expenditures:				
Current:				
General government:				
Board of county commissioners	142,098	142,098	137,204	4,894
Elections	69,402	69,402	65,078	4,324
General administration	1,516,012	1,684,113	1,666,017	18,096
Finance office	72,974	72,974	71,152	1,822
County attorney	26,287	66,287	56,190	10,097
Tax commissioner	170,042	165,042	160,606	4,436
Tax assessor	170,116	168,116	164,333	3,783
Information technology	55,468	55,468	53,654	1,814
Total general government	2,222,399	2,423,500	2,374,234	49,266
Judicial:				
Clerk of superior court	211,030	202,030	185,807	16,223
District attorney	6,270	6,270	6,787	(517)
Probate court	151,440	151,440	149,327	2,113
Juvenile court	1,264	1,264	1,879	(615)
Total judicial	370,004	361,004	343,800	17,204
Public safety:				
Sheriff	646,954	636,274	632,967	3,307
Jail	620,224	636,224	637,463	(1,239)
Communications	200,055	230,055	221,630	8,425
Fire	9,945	9,945	7,828	2,117
Office of emergency services	582,105	590,105	587,247	2,858
Coroner	11,387	11,387	11,037	350
Total public safety	2,070,670	2,113,990	2,098,172	15,818
Public works:				
Shop	94,627	90,627	87,638	2,989
Roads	526,867	476,867	447,664	29,203
Total public works	621,494	567,494	535,302	32,192

(Continued)

LINCOLN COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (NON GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (continued):				
Health and welfare:				
Health department	$ 40,000	$ 40,000	$ 40,000	$ -
Georgia forestry	3,251	3,251	-	3,251
DFACS	8,000	7,000	4,920	2,080
GED	2,400	2,400	2,400	-
Senior citizens	59,560	59,560	62,337	(2,777)
Lincoln center	21,364	21,364	17,782	3,582
Transit	71,266	71,266	66,401	4,865
Total health and welfare	205,841	204,841	193,840	11,001
Culture and recreation:				
Art and recreation	136,111	124,111	123,373	738
Library	95,601	95,601	94,347	1,254
Cherokee Park	-	-	9,277	(9,277)
Total culture and recreation	231,712	219,712	226,997	(7,285)
Housing and development:				
Cooperative extension service	59,838	56,838	52,615	4,223
Planning and permits	57,335	51,335	44,960	6,375
GIS	26,393	20,393	14,096	6,297
Code enforcement	93,379	91,379	87,595	3,784
Economic development	-	-	76,105	(76,105)
Total housing and development	236,945	219,945	275,371	(55,426)
Total expenditures	5,959,065	6,110,486	6,047,716	62,770
Excess of revenues over expenditures	33,968	31,547	289,237	257,690
Other financing sources (uses):				
Proceeds from sale of assets	32,427	32,427	18,005	(14,422)
Transfers out	(66,395)	(66,395)	(66,395)	-
Total other financing sources (uses)	(33,968)	(33,968)	(48,390)	(14,422)
Net change in fund balance	$ -	$ (2,421)	240,847	$ 243,268
Reconciliation to GAAP Basis:				
To record the effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			15,004	
Payables and other liabilities			(19,845)	
Total reconciliation to GAAP basis			236,006	
Fund balance, beginning of year	1,573,615	1,573,615	1,573,615	
Fund balance, end of year	$ 1,573,615	$ 1,571,194	$ 1,809,621	

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

ASSETS	Major Enterprise Funds: Water Fund	Major Enterprise Funds: Solid Waste Fund	Totals
CURRENT ASSETS			
Cash	$ 25,516	$ 273,183	$ 298,699
Accounts receivable, net of allowances	85,071	41,105	126,176
Due from other governments	15,750	-	15,750
Due from other funds	-	2,634	2,634
Restricted assets, cash	181,413	-	181,413
Total current assets	307,750	316,922	624,672
NONCURRENT ASSETS			
Capital assets			
Capital assets, non-depreciable	295,368	-	295,368
Capital assets, depreciable, net of accumulated depreciation	14,413,770	68,008	14,481,778
Total capital assets	14,709,138	68,008	14,777,146
Total noncurrent assets	14,709,138	68,008	14,777,146
Total assets	15,016,888	384,930	15,401,818
LIABILITIES			
CURRENT LIABILITIES			
Payable from current assets:			
Accounts payable	46,152	55,470	101,622
Accrued liabilities	11,987	-	11,987
Unearned revenues	-	303,332	303,332
Notes payable, current portion	77,571	-	77,571
Postclosure liability, current portion	-	9,850	9,850
Due to other funds	44,483	1,206	45,689
Total payable from current assets	180,193	369,858	550,051
Payable from restricted assets:			
Revenue bonds payable, current portion	39,304	-	39,304
Total payable from restricted assets	39,304	-	39,304
Total current liabilities	219,497	369,858	589,355
NONCURRENT LIABILITIES			
Revenue bonds payable, net of current portion	2,393,496	-	2,393,496
Postclosure liability, net of current portion	-	128,050	128,050
Compensated absences	4,209	-	4,209
Notes payable, net of current portion	1,655,582	-	1,655,582
Total noncurrent liabilities	4,053,287	128,050	4,181,337
Total liabilities	4,272,784	497,908	4,770,692
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	10,543,185	68,008	10,611,193
Restricted for:			
Debt service	142,109	-	142,109
Unrestricted	58,810	(180,986)	(122,176)
Total net assets	$ 10,744,104	$ (112,978)	$ 10,631,126

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Major Enterprise Funds		
	Water Fund	Solid Waste Fund	Totals
Operating revenues:			
Charges for services	$ 636,438	$ 632,739	$ 1,269,177
Total operating revenues	636,438	632,739	1,269,177
Operating expenses:			
Purchases	112,339	-	112,339
Salaries and benefits	128,746	49,583	178,329
Materials and supplies	22,043	60	22,103
Repairs and maintenance	18,983	214	19,197
Professional and contract services	40,893	601,885	642,778
Utilities	19,543	1,610	21,153
Other operating expenses	36,502	2,435	38,937
Depreciation	354,627	4,388	359,015
Total operating expenses	733,676	660,175	1,393,851
Operating loss	(97,238)	(27,436)	(124,674)
Nonoperating revenues (expenses):			
Investment income	2,331	624	2,955
Interest expense	(147,208)	-	(147,208)
Total nonoperating revenues (expenses)	(144,877)	624	(144,253)
Loss before capital contributions and transfers	(242,115)	(26,812)	(268,927)
Capital contributions	4,800	-	4,800
Transfers in	-	66,395	66,395
Change in net assets	(237,315)	39,583	(197,732)
Net assets (deficit), beginning of year	10,981,419	(152,561)	10,828,858
Net assets (deficit), end of year	$ 10,744,104	$ (112,978)	$ 10,631,126

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Major Enterprise Funds		
	Water Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 633,983	$ 625,711	$ 1,259,694
Payments to suppliers and service providers	(216,502)	(614,912)	(831,414)
Payments to employees	(129,053)	(49,583)	(178,636)
Net cash provided by (used in) operating activities	288,428	(38,784)	249,644
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	66,395	66,395
Net cash provided by noncapital financing activities	-	66,395	66,395
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property and equipment	(166,383)	-	(166,383)
Borrowings on notes payable	415,539	-	415,539
Principal paid on bonds	(37,458)	-	(37,458)
Principal paid on notes payable	(320,047)	-	(320,047)
Interest paid	(147,208)	-	(147,208)
Net cash used in capital and related financing activities	(255,557)	-	(255,557)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,331	624	2,955
Net cash provided by investing activities	2,331	624	2,955
Net increase in cash and cash equivalents	35,202	28,235	63,437
Cash and cash equivalents:			
Beginning of year	171,727	244,948	416,675
End of year	$ 206,929	$ 273,183	$ 480,112
Classified as:			
Cash and cash equivalents	$ 25,516	$ 273,183	$ 298,699
Restricted assets, cash and cash equivalents	181,413	-	181,413
	$ 206,929	$ 273,183	$ 480,112

(Continued)

LINCOLN COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Major Enterprise Funds		
	Water Fund	Solid Waste Fund	Totals
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$ (97,238)	$ (27,436)	$ (124,674)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	354,627	4,388	359,015
(Increase) decrease in accounts receivable	(2,455)	959	(1,496)
Increase in due from other governments	(15,750)	-	(15,750)
(Increase) decrease in due from other funds	3,284	(2,634)	650
Increase in accounts payable	20,343	3,299	23,642
Decrease in accrued liabilities	(348)	-	(348)
Decrease in unearned revenues	-	(7,987)	(7,987)
Increase in compensated absences	41	-	41
Decrease in postclosure liability	-	(9,850)	(9,850)
Increase (decrease) in due to other governments	(1,519)	477	(1,042)
Increase in due to other funds	27,443	-	27,443
Net cash provided by (used in) operating activities	$ 288,428	$ (38,784)	$ 249,644
Noncash investing, capital, and financing activities:			
Contribution of capital assets from outside sources	$ 4,800	$ -	$ 4,800
Total noncash investing, capital and financing activities	$ 4,800	$ -	$ 4,800

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2010

	Agency Funds
ASSETS	
Cash	$ 318,883
Taxes receivable	278,919
Total assets	$ 597,802
LIABILITIES	
Due to component unit	$ 6,202
Due to others	312,681
Uncollected property taxes	278,919
Total liabilities	$ 597,802

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

Lincoln County was established under the provisions of an act of the General Assembly of Georgia. The County operates under a County Commissioner form of government (four commissioners are elected by district with the Chairman elected at large from the county), and provides the following services as authorized by state law: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

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

Lincoln County Health Department

The governing board of the Lincoln County Health Department (the "Health Department") receives funding from the County. Members of its governing board are appointed by the Lincoln County Board of Commissioners. The Health Department maintains its financial records on a fiscal year ending June 30. The Lincoln County Health Department's financial statements may be obtained by writing to the Lincoln County Health Department,101 Peachtree Street, Lincolnton, Georgia 30817.

Development Authority of Lincoln County

The Development Authority of Lincoln County, Georgia (the "Development Authority") was created for the purpose of promoting and developing trade, commerce, industry, and employment opportunities within Lincoln County, Georgia. The members of its board of directors are appointed by the County, and its primary source of revenue is from a one mill property tax levy that must be approved by the Board of Commissioners. The Development Authority does not issue separate financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Lincoln County Recreation Authority

The Lincoln County Board of Commissioners appoints members to the governing board of the Lincoln County Recreation Authority (the "Recreation Authority"). The Recreation Authority's operational and capital budgets are not subject to approval or modification by any governmental entity, and it establishes various fees for sporting events and other recreational activities. The Recreation Authority can borrow money for any of its corporate purposes and issues other obligations that are not expressly prohibited by the Georgia Constitution, including bonded debt that does not have to be approved by the Board of Commissioners. The Recreation Authority does not prepare separate financial statements.

B. Government-wide and Fund Financial Statements

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

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

The ***Special Purpose Local Option Sales Tax (SPLOST) Fund*** is used to account for expenditures for capital improvements made by the County. Financing is provided by the revenues from a special purpose local option sales tax.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The County reports the following major proprietary funds:

The ***Water Fund*** accounts for the operation of the water system, including all revenues and costs of providing water services to residents of Lincoln County.

The ***Solid Waste Fund*** accounts for the administration and operations of the removal and disposal of solid waste in the County.

Additionally, the County reports the following fund types:

The ***Special Revenue Funds*** are used to account for revenue sources that are legally restricted to expenditure for specific purposes.

The ***Capital Projects Funds*** account for the acquisition of capital assets and construction or improvement of major capital projects.

The ***Agency Funds*** are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Cash and Investments

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

State statutes authorize the County and discretely presented component units to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the Georgia Fund 1. Investments are stated at fair value.

E. Interfund Receivables and Payables

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used.

G. Prepaid Items

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

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The County has retroactively reported major general infrastructure assets. The County chose to include all items, regardless of their acquisition date. The County was able to estimate the historical costs for the initial reporting of these assets through backtrending.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

Asset Category	Years
Land improvements	40
Water system and lines	50
Buildings	20-40
Furniture, fixtures, and equipment	5-10
Infrastructure	40

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

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

K. Long-Term Obligations

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

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

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Use of Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $194,459 difference are as follows:

Accrued interest	$	(544)
Capital leases payable		(103,401)
Compensated absences		(65,370)
Notes payable		(25,144)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(194,459)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $690,198 difference are as follows:

Capital outlay	$	186,591
Depreciation expense		(876,789)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	(690,198)

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

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

Another element of the reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this $26,133 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	$	35,592
In the statement of activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.		(9,459)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	26,133

Another element of the reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $50,869 difference are as follows:

Proceeds from debt:		
Notes payable	$	(27,312)
Principal repayments:		
Capital leases		58,283
Notes payable		19,898
Net adjustment to increase net changes in *fund balances - total governmental funds* to arrive at changes in *net assets - governmental activities*	$	50,869

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

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

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $7,960 difference are as follows:

Compensated absences	$	(585)
Accrued interest		(237)
Net pension asset		8,782
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	7,960

NOTE 3. LEGAL COMPLIANCE – BUDGETS

Budgetary Data. Formal budgetary accounting is employed as a management control device for the funds of the County. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for all governmental funds. Budgets for capital project funds are adopted on a project basis, spanning more than one fiscal year. Proprietary budgets are prepared and utilized as a management tool to assess the operations of the enterprise funds.

Prior to June 1, the Chairman submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The Board of Commissioners holds public hearings, and prior to June 30, the Board adopts the budget.

Budgets are adopted on a basis consistent with generally accepted accounting principles for all budgeted funds, except for the General Fund. The cash basis of accounting is used in preparing the budget of the General Fund. The cash basis of accounting is used to reflect actual revenues and expenditures recognized which is not consistent with accounting principles generally accepted in the United States of America.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual presents comparisons of the legally adopted budget with actual operating results on a budgetary basis. Since the legally adopted budget is on a cash basis, the actual data is similarly presented for comparison purposes. A reconciliation from the budgetary basis to generally accepted accounting principles basis is also presented in the statement.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Budgetary Control. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source, and expenditures are budgeted by department and character. The legal level of budgetary control is the department level. All budget revisions at this level are subject to final review by the Board of Commissioners.

The supplementary budgetary appropriations made were not material.

All annual budget appropriations lapse at the end of the year.

Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the County.

Deficit Fund Equity. The Fast Start Grant Fund had a deficit fund balance of $20 at June 30, 2010. The County plans to eliminate this deficit through future grant funds and transfers from the General Fund. The Solid Waste Fund had a deficit net asset balance of $112,978 at June 30, 2010. The County plans to eliminate this deficit through future operations and transfers from the General Fund.

Excess Expenditures over Appropriations. For the year ended June 30, 2010, expenditures exceeded budget in the General Fund, as follows:

Department	Excess
District attorney	$ 517
Juvenile court	615
Jail	1,239
Senior citizens	2,777
Cherokee Park	9,277
Economic development	76,105

These overexpenditures were funded by unanticipated revenues and underexpenditures in other departments of the General Fund.

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The County had no investments as of June 30, 2010.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2010, all of the deposits of the County and the component units were properly insured and collateralized as defined by GASB pronouncements and the official code of the State of Georgia.

NOTE 5. RECEIVABLES

Receivables at June 30, 2010 for the County's individual major and nonmajor funds consist of the following:

	General	SPLOST Fund	Water Fund	Solid Waste Fund	Nonmajor Funds	Total
Receivables:						
Taxes	$ 172,896	$ 75,408	$ -	$ -	$ 1,505	$ 249,809
Accounts	496,537	-	114,652	57,198	35,709	704,096
Gross receivables	669,433	75,408	114,652	57,198	37,214	953,905
Less allowance	(404,535)	-	(29,581)	(16,093)	-	(450,209)
Net receivables	$ 264,898	$ 75,408	$ 85,071	$ 41,105	$ 37,214	$ 503,696

Property taxes were levied on September 10, 2009. Bills are payable on or before December 20, 2009, after which the applicable property is subject to lien and penalties and interest are assessed. The County bills and collects its own property taxes. Property taxes levied for 2009 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended June 30, 2010, and collected by August 31, 2010, are recognized as revenues in the year ended June 30, 2010. Net receivables estimated to be collected subsequent to August 31, 2010 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes attached as an enforceable lien on property as of December 21, 2009.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 581,903	$ -	$ -	$ -	$ 581,903
Construction in progress	1,275,071	64,151	-	(1,318,337)	20,885
Total	1,856,974	64,151	-	(1,318,337)	602,788
Capital assets, being depreciated:					
Land improvements	126,770	-	-	-	126,770
Infrastructure	22,095,017	35,592	-	-	22,130,609
Buildings	2,771,159	-	-	1,318,337	4,089,496
Vehicles	1,371,669	105,440	(95,184)	-	1,381,925
Furniture, fixtures and equipment	941,994	17,000	(85,500)	-	873,494
Total	27,306,609	158,032	(180,684)	1,318,337	28,602,294
Less accumulated depreciation for:					
Land improvements	1,585	3,169			4,754
Infrastructure	11,164,278	535,085	-	-	11,699,363
Buildings	2,023,729	61,652	-	-	2,085,381
Vehicles	1,083,964	158,282	(89,081)	-	1,153,165
Furniture, fixtures and equipment	455,311	118,601	(82,144)	-	491,768
Total	14,728,867	876,789	(171,225)	-	15,434,431
Total capital assets, being depreciated, net	12,577,742	(718,757)	(9,459)	1,318,337	13,167,863
Governmental activities capital assets, net	$ 14,434,716	$ (654,606)	$ (9,459)	$ -	$ 13,770,651

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	$ 124,185	$ 171,183	$ -	$ -	$ 295,368
Total	124,185	171,183	-	-	295,368
Capital assets, being depreciated:					
Water system and lines	17,061,307	-	-	-	17,061,307
Land improvements	87,753	-	-	-	87,753
Vehicles	51,169	-	-	-	51,169
Furniture and equipment	119,777	-	-	-	119,777
Total	17,320,006	-	-	-	17,320,006
Less accumulated depreciation for:					
Water system and lines	2,339,160	341,226	-	-	2,680,386
Land improvements	15,357	4,388	-	-	19,745
Vehicles	33,021	5,788	-	-	38,809
Furniture and equipment	91,675	7,613	-	-	99,288
Total	2,479,213	359,015	-	-	2,838,228
Total capital assets, being depreciated, net	14,840,793	(359,015)	-	-	14,481,778
Business-type activities capital assets, net	$ 14,964,978	$ (187,832)	$ -	$ -	$ 14,777,146

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

Governmental activities:	
General government	$ 31,164
Public safety	278,423
Public works	532,096
Culture and recreation	21,085
Housing and development	14,021
Total depreciation expense - governmental activites	$ 876,789
Business-type activities:	
Water	$ 354,627
Solid waste	4,388
Total depreciation expense - business-type activities	$ 359,015

NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the Development Authority for the fiscal year ended June 30, 2010 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 24,877	$ -	$ -	$ -	$ 24,877
Construction in progress	506,606	14,283	-	(520,889)	-
Total	531,483	14,283	-	(520,889)	24,877
Capital assets, being depreciated:					
Buildings	4,621,729	-	-	29,974	4,651,703
Land improvements	194,124	-	-	490,915	685,039
Furniture, fixtures and equipment	32,492	2,500	-	-	34,992
Total	4,848,345	2,500	-	520,889	5,371,734
Less accumulated depreciation for:					
Buildings	803,117	118,878	-	-	921,995
Land improvements	32,353	19,488	-	-	51,841
Furniture, fixtures and equipment	32,492	207	-	-	32,699
Total	867,962	138,573	-	-	1,006,535
Total capital assets, being depreciated, net	3,980,383	(136,073)	-	520,889	4,365,199
Capital assets, net	$ 4,511,866	$ (121,790)	$ -	$ -	$ 4,390,076

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	$ 17,730	$ 27,312	$ 19,898	$ 25,144	$ 8,866
Capital leases	161,684	-	58,283	103,401	51,326
Compensated absences	64,785	50,620	50,035	65,370	40,000
Totals	$ 244,199	$ 77,932	$ 128,216	$ 193,915	$ 100,192

NOTE 7. LONG-TERM DEBT (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 2,470,258	$ -	$ 37,458	$ 2,432,800	$ 39,304
Notes payable	1,637,661	415,539	320,047	1,733,153	77,571
Landfill postclosure	147,750	-	9,850	137,900	9,850
Compensated absences	4,168	1,714	1,673	4,209	-
Totals	$ 4,259,837	$ 417,253	$ 369,028	$ 4,308,062	$ 126,725
Development Authority:					
Revenue bonds	$ 513,532	$ -	$ 48,143	$ 465,389	$ 50,569
Notes payable	1,233,289	-	86,944	1,146,345	86,164
Totals	$ 1,746,821	$ -	$ 135,087	$ 1,611,734	$ 136,733

For governmental activities, compensated absences are ordinarily liquidated by the General Fund. For business-type activities, compensated absences are ordinarily liquidated by the Water Fund.

Capital Leases. The County has entered into lease agreements as lessee for financing the acquisition of various items of equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. Equipment leased under capital leases totaled $265,315 and is included in capital assets of the governmental funds.

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

Fiscal Year Ending June 30,	
2011	$ 55,180
2012	36,202
2013	18,101
Total minimum lease payments	109,483
Less amount representing interest	(6,082)
Present value of future minimum lease payments	$ 103,401

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds. The Water Revenue Bonds constitute special obligations of the County secured by the revenue from the operation of the water system. The proceeds of the bonds were used for the purpose of expansion of the water and sewer system. Revenue bonds outstanding as of June 30, 2010, are as follows:

Series 1994 $533,600 Water Revenue Bonds, due in monthly principal installments of $2,685, including interest at 5.25%. Final payment is due March 14, 2033.	$ 426,856
Series 1996 $596,800 Water Revenue Bonds, due in monthly principal installments of $2,907, including interest at 5.0%. Final payment is due October 23, 2035.	500,647
Series 2004 $1,588,000 Water Revenue Bonds, due in monthly principal installments of $7,210, including interest at 4.5%. Final payment is due July 23, 2044.	1,505,297
	$ 2,432,800

Debt service requirements to maturity on the revenue bonds are as follows:

Year ending June 30,	Principal	Interest
2011	$ 39,304	$ 114,320
2012	41,241	112,383
2013	43,274	110,350
2014	45,408	108,216
2015	47,647	105,977
2016-2020	275,910	492,210
2021-2025	351,108	417,012
2026-2030	446,918	321,202
2031-2035	490,458	203,574
2036-2040	334,777	109,699
2041-2045	316,755	29,926
	$ 2,432,800	$ 2,124,869

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds – Development Authority. On March 1, 2002, the Development Authority issued Lincoln County Development Authority Industrial Revenue Bonds, Series 2001, in the principal amount of $800,000 for the purpose of industrial development. The funding of these bonds was split between two local financial institutions, each providing $400,000. These bonds are payable in monthly installments to each financial institution in the amount of $3,015, totaling monthly payments of $6,030, including interest of 4.92%. Final payment is due April 1, 2018. The outstanding balance of the revenue bonds as of June 30, 2010 is $465,389.

Debt service requirements to maturity on the revenue bonds are as follows:

Year ending June 30,	Principal	Interest
2011	$ 50,569	$ 21,790
2012	53,116	19,242
2013	55,792	16,566
2014	58,603	13,755
2015	61,555	10,815
2016-2018	185,754	13,244
	$ 465,389	$ 95,412

Notes Payable. The County has incurred debt to a local financial institution in the amount of $27,312 for financing the acquisition of an ambulance. The note is due in quarterly installments of $2,408, including interest of 3.5%. The outstanding balance of the note at June 30, 2010, was $25,144.

Debt service requirements to maturity on the note payable are as follows:

Year ending June 30,	Principal	Interest
2011	$ 8,866	$ 765
2012	9,180	460
2013	7,098	125
	$ 25,144	$ 1,350

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued). The Water Fund has also incurred debt to the Georgia Environmental Facilities Authority for various water and sewer system projects. These notes are as follows at June 30, 2010:

Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
4.76%	20 years	2020	$ 212,432	$ 123,073
1.50%	20 years	2028	1,449,967	1,319,508
				$ 1,442,581

Additionally, the County has incurred debt to a financial institution for construction of sewer lines. This note is a construction line of credit agreement for $784,150, of which $290,572 had been drawn as of June 30, 2010.

Debt service requirements to maturity on the water notes payable are as follows:

Year ending June 30,	Principal	Interest
2011	$ 77,571	$ 24,763
2012	79,105	23,229
2013	80,679	21,655
2014	82,296	20,038
2015	83,956	18,378
2016-2020	433,791	65,485
2021-2025	399,382	29,657
2026-2027	205,801	3,290
	$ 1,442,581	$ 206,495

The above debt service requirements to maturity table does not include provision for the construction line of credit agreement for $784,150, of which $290,572 had been drawn as of June 30, 2010. This note payable is in the draw down phase as of June 30, 2010, and repayment will be determined when construction is complete and all draws have been made.

Note Payable – Development Authority. During the year ended June 30, 2008, the Development Authority entered into a note payable agreement with a local financial institution in the amount of $1,368,395. The proceeds of this note were used to refinance two previous notes, which funded the construction of two buildings. The note is due in monthly installments of $11,000, including interest of 4.14%. Final payment is due on May 10, 2021. The outstanding balance of the note at June 30, 2010, was $1,146,345.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Note Payable – Development Authority (Continued). Debt service requirements to maturity on the note payable are as follows:

Year ending June 30,	Principal	Interest
2011	$ 86,164	$ 45,836
2012	89,800	42,200
2013	93,589	38,411
2014	97,538	34,462
2015	101,653	30,347
2016-2020	576,341	83,659
2021	101,260	1,825
	$ 1,146,345	$ 276,740

Landfill Postclosure Costs. Effective April 10, 1993, the Lincoln County landfill was closed and no additional waste has been accepted. According to state and federal laws and regulations, Lincoln County must perform certain maintenance and monitoring functions at the landfill site for a period of 30 years. As of June 30, 2010, the County has 14 years of monitoring remaining. The liability for the landfill postclosure care costs is estimated to be $137,900 as of June 30, 2010. These estimated costs are based on what it would cost to perform all postclosure care in 2010. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. Should any problems occur during this postclosure period, the costs and time period required for the maintenance and monitoring functions may substantially increase.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	SPLOST Fund	$ 263,657
General Fund	Water Fund	41,849
General Fund	Solid Waste Fund	1,206
General Fund	Nonmajor governmental funds	281,975
Solid Waste Fund	Water Fund	2,634
		$ 591,321

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

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

Interfund transfers:

Transfers In	Transfers Out	Amount
Solid Waste Fund	General Fund	$ 66,395
		$ 66,395

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

NOTE 9. JOINT VENTURE

Under Georgia law, the County is a participating member of the Central Savannah River Area Regional Commission (RC) and is required to pay annual dues thereto. During its year ended June 30, 2010, the County paid $9,054 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 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 50-8-39.1 provides that the member governments are liable for any debts and obligations of an RC. Separate financial statements may be obtained from: Central Savannah River Area Regional Commission, 3023 Riverwatch Parkway, Suite A, P.O. Box 2800, Augusta, Georgia 30907-2800.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

The County sponsors the Association County Commissioners of Georgia Restated Pension Plan for Lincoln County Employees (“The Plan”), which is a defined benefit pension plan.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

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

Funding Policy

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

Annual Pension Cost

The County's annual pension cost and net pension obligation for the pension plan for the year beginning January 1, 2010, (the most recent actuarial valuation date) are as follows:

	January 1, 2010	January 1, 2009
Derivation of Annual Pension Cost		
Annual Required Contribution	$ 194,859	$ 168,976
Interest on Net Pension Obligation	(3,035)	(2,165)
Amortization of Net Pension Obligation	3,248	2,303
Annual Pension Cost	$ 195,072	$ 169,114

Derivation of Net Pension Obligation	
Annual Pension Cost for Current Year	$ 195,072
Actual Contributions to Plan for Prior Year	203,854
Increase in Net Pension Obligation (Asset)	(8,782)
Net Pension Obligation (Asset) as of Beginning of the Year	(38,096)
Net Pension Obligation (Asset) as of End of the Year	$ (46,878)

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Basis of Valuation

Current Valuation Date	January 1, 2010
Annual Return on Invested Plan Assets	7.75%
Projected Annual Salary Increases	4.5% - 7.0% based on age
Expected Annual Inflation	3.0%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Level Percent of Pay (closed)
Remaining Amortization Period	10

Trend Information for The Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
7/1/09	$ 195,072	$ 203,854	105 %	$ (46,878)
7/1/08	169,114	176,312	104	(38,096)
7/1/07	151,115	188,813	125	(30,898)
7/1/06	109,182	93,606	86	6,800
7/1/05	69,183	70,794	102	(8,776)
7/1/04	75,359	79,756	106	(7,165)

As of the most recent valuation date, January 1, 2010, the funded status of the Plan was as follows:

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2009	$ 1,321,243	$ 1,969,227	$ 647,984	67.1 %	$ 1,318,576	49.1 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2010.

NOTE 11. RISK MANAGEMENT

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

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

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

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

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

NOTE 12. CONTINGENCIES AND COMMITMENTS

Litigation:

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

NOTE 12. CONTINGENCIES AND COMMITMENTS (CONTINUED)

Grant Contingencies:

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

NOTE 13. HOTEL/MOTEL LODGING TAX

The County has levied a 5% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. For the fiscal year ended June 30, 2010, the County collected $17,068 of hotel/motel taxes. Management represents that $19,272, or 112.9%, of the lodging tax received during the year ended June 30, 2010, was used for the promotion of tourism.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLAN

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2009	$ 1,321,243	$ 1,969,227	$ 647,984	67.1 %	$ 1,318,576	49.1 %
12/31/2008	1,132,647	1,577,901	445,254	71.8	1,216,166	36.6
12/31/2007	1,021,931	1,527,337	505,406	66.9	1,142,739	44.2
12/31/2006	835,704	893,149	57,445	93.6	961,733	6.0
12/31/2005	744,598	921,232	176,634	80.8	964,967	18.3
12/31/2004	679,783	891,967	212,184	76.2	1,023,264	20.7

The assumptions used in the preparation of the above schedule are disclosed in Note 10 in the Notes to the Financial Statements.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Hotel/Motel Tax Fund – To account for revenues and expenditures for hotel/motel taxes collected in the County that must be used for the purpose of tourism, conventions or trade shows.

E911 Fund – To account for the operations of the County's E911 system.

Law Library Fund – To account for costs of operating and maintaining the County Law Library. Financing is provided from a $2 charge added to and collected on all costs in civil and criminal cases.

Family Connection Fund – To account for the revenues and expenditures of the County's Family Connection programs that are primarily funded through various grant revenues.

Drug Education Fund – To account for fines collected as required by state law for drug abuse treatment and educational purposes.

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

Rural Health Outreach Fund – To account for the revenues and expenditures of the rural awareness initiative.

FAST Start Grant Fund – To account for the revenues and expenditures of the Juvenile Court funded through the FAST Start Grant program.

LINCOLN COUNTY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue			
	Hotel/Motel Tax Fund	E911 Fund	Law Library Fund	Family Connection Fund
ASSETS				
Cash and cash equivalents	$ 5,121	$ 64,174	$ 26,205	$ 50,728
Taxes receivable	1,505	-	-	-
Accounts receivable	-	35,709	-	-
Due from other governments	-	-	-	110,706
Total assets	$ 6,626	$ 99,883	$ 26,205	$ 161,434
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 730	$ -	$ -	$ 191
Accrued liabilities	-	-	-	2,989
Due to other governments	-	-	-	-
Due to component unit	465	-	-	-
Due to other funds	-	-	-	146,154
Total liabilities	1,195	-	-	149,334
FUND BALANCES (DEFICIT)				
Unreserved, undesignated	5,431	99,883	26,205	12,100
Total fund balances (deficit)	5,431	99,883	26,205	12,100
Total liabilities and fund balances (deficit)	$ 6,626	$ 99,883	$ 26,205	$ 161,434

Drug Education Fund	Jail Fund	Rural Health Outreach Fund	FAST Start Grant Fund	Totals
$ 7,825	$ 67,656	$ 1,108	$ 44,113	$ 266,930
-	-	-	-	1,505
-	-	-	-	35,709
-	-	-	101,688	212,394
$ 7,825	$ 67,656	$ 1,108	$ 145,801	$ 516,538
$ -	$ -	$ -	$ 10,000	$ 10,921
-	-	-	-	2,989
-	-	100	-	100
-	-	-	-	465
-	-	-	135,821	281,975
-	-	100	145,821	296,450
7,825	67,656	1,008	(20)	220,088
7,825	67,656	1,008	(20)	220,088
$ 7,825	$ 67,656	$ 1,108	$ 145,801	$ 516,538

LINCOLN COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Special Revenue			
	Hotel/Motel Tax Fund	E911 Fund	Law Library Fund	Family Connection Fund
Revenues:				
Taxes	$ 17,068	$ -	$ -	$ -
Intergovernmental	-	-	-	364,220
Charges for services	-	162,909	-	-
Fines and forfeitures	-	-	4,714	-
Investment income	33	-	-	-
Total revenues	17,101	162,909	4,714	364,220
Expenditures:				
Current:				
Judicial	-	-	3,208	-
Public safety	-	126,000	-	-
Health and welfare	-	-	-	361,868
Housing and development	19,272	-	-	-
Total expenditures	19,272	126,000	3,208	361,868
Excess (deficiency) of revenues over (under) expenditures	(2,171)	36,909	1,506	2,352
Net change in fund balances	(2,171)	36,909	1,506	2,352
Fund balances (deficit), beginning of year	7,602	62,974	24,699	9,748
Fund balances (deficit), end of year	$ 5,431	$ 99,883	$ 26,205	$ 12,100

Drug Education Fund	Jail Fund	Rural Health Outreach Fund	FAST Start Grant Fund	Totals
$ -	$ -	$ -	$ -	$ 17,068
-	-	-	152,187	516,407
-	-	-	-	162,909
160	10,506	-	-	15,380
26	-	-	-	59
186	10,506	-	152,187	711,823
-	-	-	152,187	155,395
390	-	-	-	126,390
-	-	151	-	362,019
-	-	-	-	19,272
390	-	151	152,187	663,076
(204)	10,506	(151)	-	48,747
(204)	10,506	(151)	-	48,747
8,029	57,150	1,159	(20)	171,341
$ 7,825	$ 67,656	$ 1,008	$ (20)	$ 220,088

LINCOLN COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2005 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Roads, streets and bridges	$ 1,646,567	$ 1,646,567	$ 1,156,045	$ 371,776	$ 1,527,821
Fire protection, rescue facilities and equipment	531,209	531,209	560,927	75,899	636,826
Recreation facilities	547,873	547,873	1,149,150	43,267	1,192,417
City of Lincolnton	474,351	474,351	424,529	89,727	514,256
Total	$ 3,200,000	$ 3,200,000	$ 3,290,651	$ 580,669	$ 3,871,320

Repayment of principal on debt. Proceeds included in projects above.	42,752
Total 2005 SPLOST fund expenditures	$ 623,421

AGENCY FUNDS

Tax Commissioner – To account for the collection and payment to Lincoln County and other taxing units of the property taxes levied, billed, and collected by the Tax Commissioner on behalf of Lincoln County and other taxing units.

Clerk of Superior Court – To account for all monies received by the Clerk of Superior Court on behalf of individuals, private organizations, other governmental units, and other funds.

Probate Court – To account for all monies received by the Probate Court on behalf of individuals, private organizations, other governmental units, and other funds.

Sheriff – To account for all monies received by the Sheriff's Department on behalf of individuals, private organizations, other governmental units, and other funds.

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LINCOLN COUNTY, GEORGIA

AGENCY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

ASSETS	Tax Commissioner	Clerk of Superior Court	Probate Court	Sheriff	Total
Cash	$ 115,887	$ 157,731	$ 28,241	$ 17,024	$ 318,883
Taxes receivable	278,919	-	-	-	278,919
Total assets	$ 394,806	$ 157,731	$ 28,241	$ 17,024	$ 597,802
LIABILITIES					
Due to component unit	$ 5,879	$ 323	$ -	$ -	$ 6,202
Due to others	110,008	157,408	28,241	17,024	312,681
Uncollected property taxes	278,919	-	-	-	278,919
Total liabilities	$ 394,806	$ 157,731	$ 28,241	$ 17,024	$ 597,802

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COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

To the Board of Commissioners
of Lincoln County, Georgia
Lincolnton, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Georgia as of and for the year ended June 30, 2010, which collectively comprise Lincoln County, Georgia's basic financial statements and have issued our report thereon dated December 15, 2010. Our report includes a reference to 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. Other auditors audited the financial statements of the Lincoln County Board of Health, as described in our report on Lincoln County, Georgia's financial statements. This report does not include the results of 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, we considered Lincoln County, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln County, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lincoln County, Georgia's internal control over financial reporting.

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

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 deficiency described in the accompanying schedule of findings and responses as item 2010-1 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses as item 2010-2 to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to the management of Lincoln County, Georgia in a separate letter dated December 15, 2010.

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 15, 2010

LINCOLN COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	__X__ yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	__X__ yes ____ no
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2010 due to the total amount expended being less than $500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010 - 1. Revenue Cycle Transactions

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: The County did not appropriately record all transactions involving the County's receivable and revenue accounts during the year ended June 30, 2010.

Context: During our testing of revenues and receivables, audit adjustments were required to correct various account balances. These adjustments were due to the recording of revenues which were not available to finance expenditures of the current period. Additionally, the amount recorded as unearned revenue in the Solid Waste Fund was not properly stated at year-end.

Effect: An audit adjustment to increase the allowance for bad debts and decrease revenues in the amount of $35,204 was required to be reported by the General Fund as of June 30, 2010. Additionally, an audit adjustment to increase deferred revenues and decrease revenues in the amount of $42,570 was required to be reported in the General Fund as of June 30, 2010. Finally, an audit adjustment to increase revenue and decrease unearned revenue in the amount of $7,911 was required to be reported in the Solid Waste Fund as of June 30, 2010.

LINCOLN COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2010 - 1. Revenue Cycle Transactions (Continued)

Recommendation: We recommend the County begin recognizing and recording all necessary receivable and revenue adjustments at the end of each financial cycle. Additionally, the County should be sure all ending receivable balances are accurate at year-end.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We have recorded the adjustments and will continue to work with various departments in order to ensure that end of year reporting is accurate and that transactions are processed and reported accurately.

2010 - 2. Segregation of Duties

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

Condition: Appropriate segregation of duties does not exist among recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the County. This is especially prominent in the following offices: Finance, Water, Clerk of Superior Court, Tax Commissioner, and Sheriff.

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

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

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

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

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate segregation of duties issues and to provide reasonable assurance that funds are not being misappropriated.

SECTION III
FEDERAL AWARDS FINDINGS AND RESPONSES

Not Applicable

LINCOLN COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

2009 - 1. Expenditures/Expense Cycle Transactions

Criteria: Procedures should be in place to ensure all payables and expenditures are properly recorded, in a timely manner, as part of the year-end closing procedures.

Condition: Several current year payables and expenditures were not properly recorded as of June 30, 2009. Additionally, the postclosure liability account was not recorded at the appropriate amount as of June 30, 2009.

Status: Resolved. The County correctly recorded ending payable balances for the year ended June 30, 2010.

2009 - 2. Revenue Cycle Transactions

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: The County did not appropriately record all transactions involving the County's receivable and revenue accounts during the year ended June 30, 2009.

Status: Unresolved. See Current Year finding number 2010-1.

2009 - 3. Segregation of Duties

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

Condition: Appropriate segregation of duties does not exist between recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the County. This is especially prominent in the following offices: Finance, Water, Tax Commissioner, Clerk of Superior Court, and Sheriff.

Status: Unresolved. See Current Year finding number 2010-2.

LINCOLN COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

2009 - 4. Maintenance of Records for Agency Fund Accounts

Criteria: Agency funds are used to account for resources held by the County in a purely custodial capacity, which means that all funds held are owed to other governments, organizations, or individuals. Due to the nature of these funds, it is important that adequate records be maintained to account for receipts, disbursements, and any residual funds that are held to be paid at a later date. Such listings should be reconciled to the respective cash balances maintained.

Condition: During our audit of the various elected officials as of June 30, 2009, we noted the detail listings of amounts payable to (or on behalf of) various parties were not being reconciled to the respective recorded cash balances on a monthly basis. This situation was observed on certain accounts maintained at the office of the Sheriff.

Status: Resolved. The County has properly reconciled cash balances on hand to supporting detail listings as of June 30, 2010.

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT ACCOUNTANT'S REPORT ON LOCAL ASSISTANCE GRANTS

To the Board of Commissioners
of Lincoln County, Georgia
Lincolnton, Georgia

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about Lincoln County, Georgia's compliance during the year ended June 30, 2010, with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for Local Assistance Grant #01-C-L-047. Management is responsible for Lincoln County, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about Lincoln County, Georgia's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting Lincoln County, Georgia's compliance with the above mentioned requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Lincoln County, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that Lincoln County, Georgia complied with the aforementioned requirement for the year ended June 30, 2010, is fairly stated, in all material respects.

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 15, 2010

State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)

LINE		
A	Local Government	**Lincoln County, Georgia**
B	State Awarding Agency	**Department of Community Affairs State of Georgia**
C	Grant Identification Number	**01-C-L-047**
D	Grant Title	**Local Assistance Grant**
E	Grant Award Date	**07/26/00**
F	Grant Amount	**$10,000.00**

		COLUMN 1 **Current Year Activity** For the Year Ended: June 30, 2010	COLUMN 2 **Cumulative Grant Activity** Through the Year Ended: June 30, 2010
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	$2,500.00	
I	Grant Receipts or Revenue Recognized	$0.00	$10,000.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES	$0.00	$7,500.00
K	Disbursements or Expenditures for Audit Fees	$0.00	$0.00
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K]	$2,500.00	$2,500.00

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made.

Signature of Chief Elected Official H. Wade Johnson Date **12/13/2010**

Signature of Chief Financial Officer Traci Bussey Date **12/13/2010**