LINCOLN COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

LINCOLN COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

- Title Page
- Table of Contents ..... i and ii

FINANCIAL SECTION

- Independent Auditor's Report ..... 1 and 2
- Management's Discussion and Analysis ..... 3 – 10
- Basic Financial Statements:
  - Government-wide Financial Statements:
    - Statement of Net Assets ..... 11 and 12
    - Statement of Activities ..... 13 and 14
  - Fund Financial Statements:
    - Balance Sheet – Governmental Funds 15
    - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 16
    - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 17
    - General Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual ..... 18 and 19
    - Statement of Net Assets – Proprietary Funds 20
    - Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds 21
    - Statement of Cash Flows – Proprietary Funds ..... 22 and 23
    - Statement of Fiduciary Assets and Liabilities – Fiduciary Funds 24
  - Notes to Financial Statements ..... 25 – 50
- Required Supplementary Information:
  - Schedule of Funding Progress – Defined Benefit Pension Plan 51
- Combining and Individual Fund Statements and Schedules:
  - Combining Balance Sheet – Nonmajor Governmental Funds ..... 52 and 53
  - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds ..... 54 and 55
  - Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds 56
  - Combining Balance Sheet – Agency Funds 57

LINCOLN COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

Page

COMPLIANCE SECTION

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* ..... 58 and 59

Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 ..... 60 and 61

Schedule of Expenditures of Federal Awards 62

Note to Schedule of Expenditures of Federal Awards 63

Schedule of Findings and Questioned Costs ..... 64 and 65

Schedule of Prior Year Findings 66

Independent Accountant's Report on Local Assistance Grants 67

State of Georgia Grant Certification Forms 68

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, 2011, 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 represent 2 percent, 2 percent, and 28 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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, 2011, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 10) and the Schedule of Funding Progress on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
December 15, 2011

LINCOLN COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011. 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, 2011, by $26,299,621 (net assets).
- At June 30, 2011, the County's governmental funds reported combined ending fund balances of $2,384,555, an increase of $159,167 or 7.15% in comparison with the prior year. Of this amount, $1,175,315 remains in the various funds as unassigned.
- At June 30, 2011, the County's General Fund reported an unassigned fund balance of $1,181,811.
- The County's 2011 SPLOST Capital Project Fund closed fiscal year 2011 with a fund balance of $215,232.

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 $26,299,621 as of June 30, 2011. Of the $26,299,621, $15,354,551 resulted from the County's governmental activities, and $10,945,070 resulted from the County's business-type activities.

The largest portion of Lincoln County's net assets, 91.3%, 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 3,992,217	$ 2,910,309	$ 610,224	$ 578,983	$ 4,602,441	$ 3,489,292
Capital assets	12,900,877	13,770,651	15,454,439	14,777,146	28,355,316	28,547,797
Total assets	16,893,094	16,680,960	16,064,663	15,356,129	32,957,757	32,037,089
Long-term liabilities outstanding	137,501	193,915	4,402,681	4,308,062	4,540,182	4,501,977
Other liabilities	1,401,042	506,473	716,912	416,941	2,117,954	923,414
Total liabilities	1,538,543	700,388	5,119,593	4,725,003	6,658,136	5,425,391
Net assets:						
Invested in capital assets, net of related debt	12,832,523	13,642,106	11,183,270	10,611,193	24,015,793	24,253,299
Restricted	576,140	195,679	158,015	142,109	734,155	337,788
Unrestricted	1,945,888	2,142,787	(396,215)	(122,176)	1,549,673	2,020,611
Total net assets	$ 15,354,551	$ 15,980,572	$ 10,945,070	$ 10,631,126	$ 26,299,621	$ 26,611,698

An additional portion of Lincoln County's total net assets (2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of total unrestricted net assets, 5.9% may be used to meet the Government's ongoing obligations to citizens and creditors.

At the 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 $626,021 in 2011. Key elements of this decrease are as follows:

Lincoln County Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	$ 1,317,541	$ 1,441,555	$ 1,366,605	$ 1,269,177	$ 2,684,146	$ 2,710,732
Operating grants and contributions	1,165,857	1,000,385	-	-	1,165,857	1,000,385
Capital grants and contributions	13,000	131,888	500,000	4,800	513,000	136,688
General revenues:						
Property taxes	2,875,646	2,929,477	-	-	2,875,646	2,929,477
Other taxes	1,727,971	1,752,755	-	-	1,727,971	1,752,755
Investment Income	2,964	4,183	2,831	2,955	5,795	7,138
Gain on sale of assets	-	8,546			-	8,546
Total revenues	7,102,979	7,268,789	1,869,436	1,276,932	8,972,415	8,545,721
Expenses						
General government	1,846,816	1,881,884	-	-	1,846,816	1,881,884
Judicial	350,726	498,188	-	-	350,726	498,188
Public safety	2,597,791	2,504,723	-	-	2,597,791	2,504,723
Public works	1,544,625	1,416,046	-	-	1,544,625	1,416,046
Health and welfare	681,956	556,385	-	-	681,956	556,385
Culture and recreation	343,354	249,262	-	-	343,354	249,262
Housing and development	318,414	285,222	-	-	318,414	285,222
Interest on long-term debt	4,274	7,000	-	-	4,274	7,000
Water	-	-	940,663	880,884	940,663	880,884
Solid waste	-	-	655,873	660,175	655,873	660,175
Total expenses	7,687,956	7,398,710	1,596,536	1,541,059	9,284,492	8,939,769
Change in net assets before transfers	(584,977)	(129,921)	272,900	(264,127)	(312,077)	(394,048)
Transfers	(41,044)	(66,395)	41,044	66,395	-	-
Change in net assets	(626,021)	(196,316)	313,944	(197,732)	(312,077)	(394,048)
Net assets, beginning of year	15,980,572	16,176,888	10,631,126	10,828,858	26,611,698	27,005,746
Net assets, end of year	$ 15,354,551	$ 15,980,572	$ 10,945,070	$ 10,631,126	$ 26,299,621	$ 26,611,698

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 unassigned 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 2011 fiscal year, the combined fund balance of all the governmental funds is $2.4 million, of which $1,175,315, or 49.29%, was unassigned.

General Fund

The General Fund is the primary operating fund of the Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was $1,181,811, while total fund balance was $1,969,108. Total fund balance increased $159,487 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21.42% of total General Fund expenditures, while total fund balance represents 35.70% of that same amount.

Capital Projects Fund

The Government 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 $19,553 to a balance of $215,232 primarily due to the accumulation of funds to build a public safety building and resurfacing of roads in the Blackjack community.

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 Fund, Family Connection Fund, Drug Education Fund, 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 decreased by $19,873 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 a deficit $240,312, a decrease of $299,122. The Solid Waste Fund reported a deficit of unrestricted net assets in the amount of $155,903, an increase of $25,083. For the year ended June 30, 2011, the proprietary funds reflected total net assets of $10,945,070.

General Fund Budgetary Highlights

The original budget was increased by $124,266 due to increased revenues and a grant. The General Fund revenues were $5,716,895. Expenditures were $5,516,364. The transfer out of $41,044 was for the Solid Waste Fund. There was an excess of revenues over expenditures before transfers in the amount of $200,531.

Capital Assets and Debt Administration

Lincoln County's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to $28,355,316 (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	
	2011	2010	2011	2010	2011	2010
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	22,130,609	-	-	22,130,609	22,130,609
Buildings	4,098,596	4,089,496	-	-	4,098,596	4,089,496
Furniture and equipment	906,428	873,494	119,777	119,777	1,026,205	993,271
Vehicles	1,409,056	1,381,925	51,169	51,169	1,460,225	1,433,094
Construction in progress	-	20,885	1,331,436	295,368	1,331,436	316,253
Total	29,253,362	29,205,082	18,651,442	17,615,374	47,904,804	46,820,456
Accumulated depreciation	16,352,485	15,434,431	3,197,003	2,838,228	19,549,488	18,272,659
Net Capital Assets	$ 12,900,877	$ 13,770,651	$ 15,454,439	$ 14,777,146	$ 28,355,316	$ 28,547,797

Lincoln County's outstanding debt as of June 30, 2011 was $4.5 million for its governmental and business-type activities, with $213,673 payable within one year. Approximately 97% 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 of the economic factors that were considered when preparing the 2012 budget remain the same as last year:

- the weak economy
- increases in state fees and charges
- ongoing changes in state legislation
- the decrease in sales tax revenues
- increases in the cost of fringe benefits

The most significant change from last year's budget process to this year's budget process was the assumption that the current economic conditions were not changing soon; instead of furloughs and postponing, the County needed to reduce staff and make permanent budget cuts.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

LINCOLN COUNTY, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 3,142,910	$ 306,078	$ 3,448,988
Taxes receivable	255,045	-	255,045
Accounts receivable, net of allowances	150,266	138,769	289,035
Due from other governments	290,025	-	290,025
Due from component unit	6,648	-	6,648
Due from primary government	-	-	-
Internal balances	33,879	(33,879)	-
Inventories	32,186	-	32,186
Prepaid items	13,214	-	13,214
Restricted assets, cash	-	199,256	199,256
Capital assets, non-depreciable - held for resale	-	-	-
Capital assets, non-depreciable	581,903	1,331,436	1,913,339
Capital assets, depreciable, net of accumulated depreciation	12,318,974	14,123,003	26,441,977
Other assets	68,044	-	68,044
Total assets	16,893,094	16,064,663	32,957,757
LIABILITIES			
Accounts payable	1,010,544	349,733	1,360,277
Accrued liabilities	256,786	62,351	319,137
Unearned revenues	30,574	304,828	335,402
Due to other governments	102,628	-	102,628
Due to component unit	510	-	510
Due to primary government	-	-	-
Capital leases due within one year	34,297	-	34,297
Capital leases due in more than one year	17,778	-	17,778
Compensated absences due within one year	40,000	-	40,000
Compensated absences due in more than one year	29,147	3,462	32,609
Notes payable due within one year	9,180	79,105	88,285
Notes payable due in more than one year	7,099	1,798,568	1,805,667
Bonds payable due within one year	-	41,241	41,241
Bonds payable due in more than one year	-	2,352,255	2,352,255
Landfill due within one year	-	9,850	9,850
Landfill due in more than one year	-	118,200	118,200
Total liabilities	1,538,543	5,119,593	6,658,136
NET ASSETS			
Invested in capital assets, net of related debt	12,832,523	11,183,270	24,015,793
Restricted	576,140	158,015	734,155
Unrestricted (deficit)	1,945,888	(396,215)	1,549,673
Total net assets	$ 15,354,551	$ 10,945,070	$ 26,299,621

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

Component Units		
Lincoln County Health Department	Development Authority of Lincoln County	Recreation Authority
$ 79,011	$ 650,687	$ 4,031
-	21,014	-
3,635	-	-
-	-	-
-	-	-
-	4,287	-
-	-	-
-	-	-
-	6,030	-
-	-	-
-	96,886	-
-	55,048	-
-	4,222,934	-
-	-	-
82,646	5,056,886	4,031
-	14,679	-
-	1,558	-
-	-	-
129	-	-
-	-	-
-	6,648	-
-	-	-
-	-	-
-	-	-
13,284	-	-
-	89,800	-
-	970,382	-
-	53,116	-
-	361,703	-
-	-	-
-	-	-
13,413	1,497,886	-
-	2,802,981	-
71,768	-	-
(2,535)	756,019	4,031
$ 69,233	$ 3,559,000	$ 4,031

LINCOLN COUNTY, GEORGIA

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

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	$ 1,846,816	$ 200,520	$ 177,127	$ -
Judicial	350,726	183,615	6,550	-
Public safety	2,597,791	833,307	36,788	13,000
Public works	1,544,625	9,773	155,203	-
Health and welfare	681,956	15,573	540,957	-
Culture and recreation	343,354	46,472	156,233	-
Housing and development	318,414	28,281	92,999	-
Interest on long-term debt	4,274	-	-	-
Total governmental activities	7,687,956	1,317,541	1,165,857	13,000
Business-type activities:				
Water	940,663	731,594	-	500,000
Solid waste	655,873	635,011	-	-
Total business-type activities	1,596,536	1,366,605	-	500,000
Total primary government	$ 9,284,492	$ 2,684,146	$ 1,165,857	$ 513,000
Component units:				
Lincoln County Health Department	$ 195,302	$ 71,768	$ 134,694	$ -
Development Authority of Lincoln County	381,848	233,306	7,965	1,215
Recreation Authority	-	-	-	-
Total component units	$ 577,150	$ 305,074	$ 142,659	$ 1,215
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
$ (1,469,169)	$ -	$ (1,469,169)	$ -	$ -	$ -
(160,561)	-	(160,561)	-	-	-
(1,714,696)	-	(1,714,696)	-	-	-
(1,379,649)	-	(1,379,649)	-	-	-
(125,426)	-	(125,426)	-	-	-
(140,649)	-	(140,649)	-	-	-
(197,134)	-	(197,134)	-	-	-
(4,274)	-	(4,274)	-	-	-
(5,191,558)	-	(5,191,558)	-	-	-
-	290,931	290,931	-	-	-
-	(20,862)	(20,862)	-	-	-
-	270,069	270,069	-	-	-
(5,191,558)	270,069	(4,921,489)	-	-	-
-	-	-	11,160	-	-
-	-	-	-	(139,362)	-
-	-	-	-	-	-
-	-	-	11,160	(139,362)	-
2,875,646	-	2,875,646	-	289,111	-
1,295,656	-	1,295,656	-	-	-
432,315	-	432,315	-	2,486	-
2,964	2,831	5,795	-	1,263	9
-	-	-	-	-	-
(41,044)	41,044	-	-	-	-
4,565,537	43,875	4,609,412	-	292,860	9
(626,021)	313,944	(312,077)	11,160	153,498	9
15,980,572	10,631,126	26,611,698	58,073	3,405,502	4,022
$ 15,354,551	$ 10,945,070	$ 26,299,621	$ 69,233	$ 3,559,000	$ 4,031

LINCOLN COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	SPLOST Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 2,672,877	$ 252,652	$ 217,381	$ 3,142,910
Taxes receivable	187,575	65,819	1,651	255,045
Accounts receivable, net of allowances	115,625	-	34,641	150,266
Due from other governments	156,442	-	133,583	290,025
Due from component unit	6,648	-	-	6,648
Due from other funds	197,831	-	-	197,831
Prepaid items	13,214	-	-	13,214
Inventories	32,186	-	-	32,186
Total assets	$ 3,382,398	$ 318,471	$ 387,256	$ 4,088,125
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 982,679	$ 8,842	$ 19,023	$ 1,010,544
Accrued liabilities	252,958	-	3,556	256,514
Deferred revenues	169,422	-	-	169,422
Due to other governments	8,231	94,397	-	102,628
Due to component unit	-	-	510	510
Due to other funds	-	-	163,952	163,952
Total liabilities	1,413,290	103,239	187,041	1,703,570
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid items	$ 13,214	$ -	$ -	$ 13,214
Inventory	32,186	-	-	32,186
Restricted for:				
Public library	154,197	-	-	154,197
Tourism	-	-	3,657	3,657
E-911	-	-	115,470	115,470
Drug education	-	-	7,925	7,925
Public safety	-	-	68,953	68,953
Law library	-	-	10,706	10,706
Capital projects	-	215,232	-	215,232
Assigned:				
Subsequent year's budget	587,700	-	-	587,700
Unassigned:	1,181,811	-	(6,496)	1,175,315
Total fund balances	1,969,108	215,232	200,215	2,384,555
Total liabilities and fund balances	$ 3,382,398	$ 318,471	$ 387,256	
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.				12,900,877
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				138,848
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(137,773)
Net pension asset used in governmental activities is not a financial resource and, therefore, is not reported in the funds.				68,044
Net assets of governmental activities				$ 15,354,551

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, 2011

	General Fund	SPLOST Fund	Other Governmental Funds	Total
Revenues				
Taxes	$ 3,857,827	$ 720,829	$ 18,227	$ 4,596,883
Licenses and permits	36,141	-	-	36,141
Intergovernmental	392,795	-	471,538	864,333
Charges for services	952,947	-	141,587	1,094,534
Fines and forfeitures	88,958	-	14,121	103,079
Investment income	2,936	-	28	2,964
Rental income	49,963	-	-	49,963
Miscellaneous	335,328	13,000	20	348,348
Total revenues	5,716,895	733,829	645,521	7,096,245
Expenditures				
Current:				
General government	1,762,312	-	-	1,762,312
Judicial	330,577	-	20,149	350,726
Public safety	2,153,440	-	134,091	2,287,531
Public works	501,231	-	-	501,231
Health and welfare	190,814	-	491,142	681,956
Culture and recreation	248,641	-	-	248,641
Housing and development	283,590	-	20,012	303,602
Intergovernmental	-	103,014	-	103,014
Capital outlay	-	592,284	-	592,284
Debt service:				
Principal	41,552	18,639	-	60,191
Interest and fiscal charges	4,207	339	-	4,546
Total expenditures	5,516,364	714,276	665,394	6,896,034
Excess (deficiency) of revenues over (under) expenditures	200,531	19,553	(19,873)	200,211
Other financing sources (uses):				
Transfers in	-	-	1,008	1,008
Transfers out	(41,044)	-	(1,008)	(42,052)
Total other financing sources (uses)	(41,044)	-	-	(41,044)
Net change in fund balances	159,487	19,553	(19,873)	159,167
Fund balances, beginning of year	1,809,621	195,679	220,088	2,225,388
Fund balances, end of year	$ 1,969,108	$ 215,232	$ 200,215	$ 2,384,555

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, 2011

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

Net change in fund balances - total governmental funds	$	159,167
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.		(869,774)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		6,734
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.		60,191
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.		17,661
	$	(626,021)

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 AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 3,450,723	$ 3,392,791	$ 2,866,568	$ (526,223)
Sales taxes	591,000	580,360	577,171	(3,189)
Other taxes	422,800	418,981	414,088	(4,893)
Licenses and permits	29,200	33,041	36,141	3,100
Intergovernmental	337,282	399,585	392,795	(6,790)
Charges for services	919,542	927,766	952,947	25,181
Fines and forfeitures	91,500	75,369	88,958	13,589
Investment income	5,000	2,747	2,936	189
Rental income	35,680	57,060	49,963	(7,097)
Miscellaneous	106,321	225,614	335,328	109,714
Total revenues	5,989,048	6,113,314	5,716,895	(396,419)
Expenditures:				
Current:				
General government:				
Board of county commissioners	139,256	146,668	145,185	1,483
Elections	87,937	84,604	83,844	760
General administration	1,511,236	1,622,441	1,009,934	612,507
Finance office	71,514	71,631	71,137	494
County attorney	50,000	67,977	67,779	198
Tax commissioner	166,641	179,447	172,119	7,328
Tax assessor	163,866	167,853	162,059	5,794
Information technology	54,356	53,766	50,255	3,511
Board of equalization	3,190	-	-	-
Total general government	2,247,996	2,394,387	1,762,312	632,075
Judicial:				
Clerk of superior court	206,603	178,531	173,434	5,097
District attorney	6,270	6,787	6,787	-
Probate court	148,411	150,046	148,705	1,341
Juvenile court	1,264	1,543	1,651	(108)
Total judicial	362,548	336,907	330,577	6,330
Public safety:				
Sheriff	634,015	665,959	648,135	17,824
Jail	607,819	635,164	638,855	(3,691)
Communications	196,054	246,912	251,903	(4,991)
Fire	9,746	5,290	5,957	(667)
Office of emergency services	571,172	606,850	598,557	8,293
Coroner	11,159	10,253	10,033	220
Total public safety	2,029,965	2,170,428	2,153,440	16,988
Public works:				
Shop	92,727	88,768	87,189	1,579
Roads	516,336	432,031	414,042	17,989
Total public works	609,063	520,799	501,231	19,568

(Continued)

LINCOLN COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (continued):				
Health and welfare:				
Health department	$ 39,000	$ 39,000	$ 39,000	$ -
Georgia forestry	3,251	-	-	-
DFACS	6,800	4,556	4,335	221
GED	2,400	400	400	-
Senior citizens	58,369	67,304	64,556	2,748
Lincoln center	20,937	16,609	15,778	831
Transit	69,840	68,514	66,745	1,769
Total health and welfare	200,597	196,383	190,814	5,569
Culture and recreation:				
Art and recreation	131,171	125,159	125,189	(30)
Library	93,689	95,556	93,298	2,258
Cherokee Park	32,300	28,343	30,154	(1,811)
Total culture and recreation	257,160	249,058	248,641	417
Housing and development:				
Cooperative extension service	58,398	45,736	43,897	1,839
Planning and permits	54,805	53,918	54,165	(247)
GIS	25,593	15,427	14,517	910
Code enforcement	89,879	89,227	87,776	1,451
Economic development	-	-	83,235	(83,235)
Total housing and development	228,675	204,308	283,590	(79,282)
Debt service:				
Principal	-	-	41,552	(41,552)
Interest	-	-	4,207	(4,207)
Total debt service	-	-	45,759	(45,759)
Total expenditures	5,936,004	6,072,270	5,516,364	555,906
Excess of revenues over expenditures	53,044	41,044	200,531	159,487
Other financing sources (uses):				
Proceeds from sale of assets	5,000	-	-	-
Transfers out	(58,044)	(41,044)	(41,044)	-
Total other financing sources (uses)	(53,044)	(41,044)	(41,044)	-
Net change in fund balance	-	-	159,487	159,487
Fund balance, beginning of year	1,809,621	1,809,621	1,809,621	-
Fund balance, end of year	$ 1,809,621	$ 1,809,621	$ 1,969,108	$ 159,487

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

ASSETS	Major Enterprise Funds: Water Fund	Major Enterprise Funds: Solid Waste Fund	Totals
CURRENT ASSETS			
Cash	$ 26,136	$ 279,942	$ 306,078
Accounts receivable, net of allowances	89,424	49,345	138,769
Restricted assets, cash	199,256	-	199,256
Total current assets	314,816	329,287	644,103
NONCURRENT ASSETS			
Capital assets			
Capital assets, non-depreciable	1,331,436	-	1,331,436
Capital assets, depreciable, net of accumulated depreciation	14,059,382	63,621	14,123,003
Total capital assets	15,390,818	63,621	15,454,439
Total noncurrent assets	15,390,818	63,621	15,454,439
Total assets	15,705,634	392,908	16,098,542
LIABILITIES			
CURRENT LIABILITIES			
Payable from current assets:			
Accounts payable	298,711	51,022	349,733
Accrued liabilities	62,351	-	62,351
Unearned revenues	-	304,828	304,828
Notes payable, current portion	79,105	-	79,105
Postclosure liability, current portion	-	9,850	9,850
Due to other funds	32,589	1,290	33,879
Total payable from current assets	472,756	366,990	839,746
Payable from restricted assets:			
Revenue bonds payable, current portion	41,241	-	41,241
Total payable from restricted assets	41,241	-	41,241
Total current liabilities	513,997	366,990	880,987
NONCURRENT LIABILITIES			
Revenue bonds payable, net of current portion	2,352,255	-	2,352,255
Postclosure liability, net of current portion	-	118,200	118,200
Compensated absences	3,462	-	3,462
Notes payable, net of current portion	1,798,568	-	1,798,568
Total noncurrent liabilities	4,154,285	118,200	4,272,485
Total liabilities	4,668,282	485,190	5,153,472
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	11,119,649	63,621	11,183,270
Restricted for:			
Debt service	158,015	-	158,015
Unrestricted	(240,312)	(155,903)	(396,215)
Total net assets	$ 11,037,352	$ (92,282)	$ 10,945,070

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, 2011

	Major Enterprise Funds		
	Water Fund	Solid Waste Fund	Totals
Operating revenues:			
Charges for services	$ 726,803	$ 635,011	$ 1,361,814
Miscellaneous income	4,791	-	4,791
Total operating revenues	731,594	635,011	1,366,605
Operating expenses:			
Purchases	125,814	-	125,814
Salaries and benefits	151,165	25,566	176,731
Materials and supplies	19,019	14	19,033
Repairs and maintenance	33,393	204	33,597
Professional and contract services	38,673	620,969	659,642
Utilities	19,537	1,839	21,376
Other operating expenses	57,621	2,894	60,515
Depreciation	354,388	4,387	358,775
Total operating expenses	799,610	655,873	1,455,483
Operating loss	(68,016)	(20,862)	(88,878)
Nonoperating revenues (expenses):			
Investment income	2,317	514	2,831
Interest expense	(141,053)	-	(141,053)
Total nonoperating revenues (expenses)	(138,736)	514	(138,222)
Loss before contributions and transfers	(206,752)	(20,348)	(227,100)
Capital contributions	500,000	-	500,000
Transfers in	-	41,044	41,044
Change in net assets	293,248	20,696	313,944
Net assets (deficit), beginning of year	10,744,104	(112,978)	10,631,126
Net assets (deficit), end of year	$ 11,037,352	$ (92,282)	$ 10,945,070

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, 2011

	Major Enterprise Funds		
	Water Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 727,241	$ 628,267	$ 1,355,508
Payments to suppliers and service providers	(254,731)	(637,500)	(892,231)
Payments to employees	(153,510)	(25,566)	(179,076)
Net cash provided by (used in) operating activities	319,000	(34,799)	284,201
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	41,044	41,044
Net cash provided by noncapital financing activities	-	41,044	41,044
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property and equipment	(772,522)	-	(772,522)
Borrowings on notes payable	222,091	-	222,091
Principal paid on bonds	(39,304)	-	(39,304)
Principal paid on notes payable	(77,571)	-	(77,571)
Capital contributions	500,000	-	500,000
Interest paid	(135,548)	-	(135,548)
Net cash used in capital and related financing activities	(302,854)	-	(302,854)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,317	514	2,831
Net cash provided by investing activities	2,317	514	2,831
Net increase in cash and cash equivalents	18,463	6,759	25,222
Cash and cash equivalents:			
Beginning of year	206,929	273,183	480,112
End of year	$ 225,392	$ 279,942	$ 505,334
Classified as:			
Cash and cash equivalents	$ 26,136	$ 279,942	$ 306,078
Restricted assets, cash and cash equivalents	199,256	-	199,256
	$ 225,392	$ 279,942	$ 505,334

(Continued)

LINCOLN COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Major Enterprise Funds		
	Water Fund	Solid Waste Fund	Totals
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$ (68,016)	$ (20,862)	$ (88,878)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	354,388	4,387	358,775
Increase in accounts receivable	(4,353)	(8,240)	(12,593)
Decrease in due from other governments	15,750	-	15,750
Decrease in due from other funds	-	2,634	2,634
Decrease in accounts payable	(10,987)	(4,448)	(15,435)
Increase in accrued liabilities	44,859	-	44,859
Increase in unearned revenues	-	1,496	1,496
Decrease in compensated absences	(747)	-	(747)
Decrease in postclosure liability	-	(9,850)	(9,850)
Increase (decrease) in due to other funds	(11,894)	84	(11,810)
Net cash provided by (used in) operating activities	$ 319,000	$ (34,799)	$ 284,201

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds
ASSETS	
Cash	$ 264,426
Taxes receivable	345,584
Total assets	$ 610,010
LIABILITIES	
Due to component unit	$ 3,777
Due to others	260,649
Uncollected property taxes	345,584
Total liabilities	$ 610,010

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

In the proprietary funds, interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capitalized interest totaling $16,241 was recorded during the year ended June 30, 2011.

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

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

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

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

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners has authorized the County's Commission Chairman to assign fund balances.

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

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

- Committed
- Assigned
- Unassigned

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $137,773 difference are as follows:

Accrued interest	$	(272)
Capital leases payable		(52,075)
Compensated absences		(69,147)
Notes payable		(16,279)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(137,773)

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 $869,774 difference are as follows:

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)

Capital outlay	$	48,280
Depreciation expense		(918,054)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	(869,774)

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 $60,191 difference are as follows:

Principal repayments:		
Capital leases	$	51,326
Notes payable		8,865
Net adjustment to increase net changes in *fund balances - total governmental funds* to arrive at changes in *net assets - governmental activities*	$	60,191

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 $17,661 difference are as follows:

Compensated absences	$	(3,777)
Accrued interest		272
Net pension asset		21,166
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	17,661

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. All budgets are adopted on a basis consistent with generally accepted accounting principles.

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.

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.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

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

Deficit Fund Equity. The Family Connection Fund had a deficit fund balance of $6,496 at June 30, 2011. 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 $92,282 at June 30, 2011. 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, 2011, expenditures exceeded budget in the General Fund, as follows:

Department	Excess
Juvenile court	$ 108
Jail	3,691
Communications	4,991
Fire	667
Art and recreation	30
Cherokee Park	1,811
Planning and permits	247
Economic development	83,235
Debt service	45,759

These overexpenditures were funded by 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, 2011.

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.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2011, 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, 2011 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	$ 209,171	$ 65,819	$ -	$ -	$ 1,651	$ 276,641
Accounts	435,361	-	119,643	67,528	34,641	657,173
Gross receivables	644,532	65,819	119,643	67,528	36,292	933,814
Less allowance	(341,332)	-	(30,219)	(18,183)	-	(389,734)
Net receivables	$ 303,200	$ 65,819	$ 89,424	$ 49,345	$ 36,292	$ 544,080

Property taxes were levied on September 10, 2010. Bills are payable on or before December 20, 2010, 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 2010 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended June 30, 2011, and collected by August 31, 2011, are recognized as revenues in the year ended June 30, 2011. Net receivables estimated to be collected subsequent to August 31, 2011 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes attached as an enforceable lien on property as of December 21, 2010.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 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	20,885	-	-	(20,885)	-
Total	602,788	-	-	(20,885)	581,903
Capital assets, being depreciated:					
Land improvements	126,770	-	-	-	126,770
Infrastructure	22,130,609	-	-	-	22,130,609
Buildings	4,089,496	9,100	-	-	4,098,596
Vehicles	1,381,925	6,246	-	20,885	1,409,056
Furniture, fixtures and equipment	873,494	32,934	-	-	906,428
Total	28,602,294	48,280	-	20,885	28,671,459
Less accumulated depreciation for:					
Land improvements	4,754	3,169	-	-	7,923
Infrastructure	11,699,363	532,478	-	-	12,231,841
Buildings	2,085,381	158,166	-	-	2,243,547
Vehicles	1,153,165	107,806	-	-	1,260,971
Furniture, fixtures and equipment	491,768	116,435	-	-	608,203
Total	15,434,431	918,054	-	-	16,352,485
Total capital assets, being depreciated, net	13,167,863	(869,774)	-	20,885	12,318,974
Governmental activities capital assets, net	$ 13,770,651	$ (869,774)	$ -	$ -	$ 12,900,877

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	$ 295,368	$ 1,036,068	$ -	$ -	$ 1,331,436
Total	295,368	1,036,068	-	-	1,331,436
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	2,680,386	341,226	-	-	3,021,612
Land improvements	19,745	4,388	-	-	24,133
Vehicles	38,809	5,788	-	-	44,597
Furniture and equipment	99,288	7,373	-	-	106,661
Total	2,838,228	358,775	-	-	3,197,003
Total capital assets, being depreciated, net	14,481,778	(358,775)	-	-	14,123,003
Business-type activities capital assets, net	$ 14,777,146	$ 677,293	$ -	$ -	$ 15,454,439

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

Governmental activities:	
General government	$ 34,613
Public safety	223,990
Public works	558,429
Culture and recreation	87,002
Housing and development	14,020
Total depreciation expense - governmental activites	$ 918,054
Business-type activities:	
Water	$ 354,388
Solid waste	4,387
Total depreciation expense - business-type activities	$ 358,775

NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the Development Authority for the fiscal year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 24,877	$ -	$ -	$ -	$ 24,877
Construction in progress	-	30,171	-	-	30,171
Total	24,877	30,171	-	-	55,048
Capital assets, being depreciated:					
Buildings	4,651,703	-	-	-	4,651,703
Land improvements	685,039	-	-	-	685,039
Furniture, fixtures and equipment	34,992	-	(3,058)	-	31,934
Total	5,371,734	-	(3,058)	-	5,368,676
Less accumulated depreciation for:					
Buildings	921,995	119,148	-	-	1,041,143
Land improvements	51,841	22,760	-	-	74,601
Furniture, fixtures and equipment	32,699	357	(3,058)	-	29,998
Total	1,006,535	142,265	(3,058)	-	1,145,742
Total capital assets, being depreciated, net	4,365,199	(142,265)	-	-	4,222,934
Capital assets, net	$ 4,390,076	$ (112,094)	$ -	$ -	$ 4,277,982

NOTE 7. LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	$ 25,144	$ -	$ 8,865	$ 16,279	$ 9,180
Capital leases	103,401	-	51,326	52,075	34,297
Compensated absences	65,370	69,330	65,553	69,147	40,000
Totals	$ 193,915	$ 69,330	$ 125,744	$ 137,501	$ 83,477

NOTE 7. LONG-TERM DEBT (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 2,432,800	$ -	$ 39,304	$ 2,393,496	$ 41,241
Notes payable	1,733,153	222,091	77,571	1,877,673	79,105
Landfill postclosure	137,900	-	9,850	128,050	9,850
Compensated absences	4,209	1,625	2,372	3,462	-
Totals	$ 4,308,062	$ 223,716	$ 129,097	$ 4,402,681	$ 130,196
Development Authority:					
Revenue bonds	$ 465,389	$ -	$ 50,570	$ 414,819	$ 53,116
Notes payable	1,146,345	-	86,163	1,060,182	89,800
Totals	$ 1,611,734	$ -	$ 136,733	$ 1,475,001	$ 142,916

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 $159,917 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,	
2012	$ 36,202
2013	18,101
Total minimum lease payments	54,303
Less amount representing interest	(2,228)
Present value of future minimum lease payments	$ 52,075

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, 2011, 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.	$ 416,806
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.	490,566
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.	1,486,124
	$ 2,393,496

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

Year ending June 30,	Principal	Interest
2012	$ 41,241	$ 112,383
2013	43,274	110,350
2014	45,408	108,216
2015	47,647	105,977
2016	49,998	103,626
2017-2021	289,529	478,591
2022-2026	368,459	399,661
2027-2031	469,028	299,092
2032-2036	458,066	180,737
2037-2041	337,865	94,735
2042-2045	242,981	17,182
	$ 2,393,496	$ 2,010,550

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, 2011 is $414,819.

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

Year ending June 30,	Principal	Interest
2012	$ 53,116	$ 19,242
2013	55,792	16,566
2014	58,603	13,755
2015	61,555	10,815
2016	64,656	7,702
2017-2018	121,097	5,542
	$ 414,819	$ 73,622

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, 2011, was $16,279.

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

Year ending June 30,	Principal	Interest
2012	$ 9,180	$ 460
2013	7,099	125
	$ 16,279	$ 585

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued). The Water Fund has also incurred debt to the Georgia Environmental Facilities Authority (GEFA) for various water and sewer system projects. These notes are as follows at June 30, 2011:

Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
4.76%	20 years	2020	$ 212,432	$ 112,213
1.50%	20 years	2028	1,449,967	1,252,797
				$ 1,365,010

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 $512,663 had been drawn as of June 30, 2011.

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

Year ending June 30,	Principal	Interest
2012	$ 79,105	$ 23,229
2013	80,679	21,655
2014	82,296	20,038
2015	83,956	18,378
2016	85,662	16,672
2017-2021	425,629	57,121
2022-2026	405,414	23,625
2027	122,269	1,014
	$ 1,365,010	$ 181,732

The above debt service requirements to maturity table does not include provision for the construction line of credit agreement for $784,150, of which $512,663 had been drawn as of June 30, 2011. This note payable is in the draw down phase as of June 30, 2011. See Note 15 for further information regarding this note payable.

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, 2011, was $1,060,182.

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
2012	$ 89,800	$ 42,200
2013	93,589	38,411
2014	97,538	34,462
2015	101,653	30,347
2016	110,413	26,057
2017-2021	567,189	59,426
	$ 1,060,182	$ 230,903

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, 2011, the County has 13 years of monitoring remaining. The liability for the landfill postclosure care costs is estimated to be $128,050 as of June 30, 2011. These estimated costs are based on what it would cost to perform all postclosure care in 2011. 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, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	$ 32,589
General Fund	Solid Waste Fund	1,290
General Fund	Nonmajor governmental funds	163,952
		$ 197,831

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	$ 41,044
Nonmajor governmental funds	Nonmajor governmental funds	1,008
		$ 42,052

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, 2011, the County paid $7,059 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, 2011, (the most recent actuarial valuation date) are as follows:

	January 1, 2011	January 1, 2010
Derivation of Annual Pension Cost		
Annual Required Contribution	$ 203,408	$ 194,859
Interest on Net Pension Obligation	(4,203)	(3,035)
Amortization of Net Pension Obligation	4,496	3,248
Annual Pension Cost	$ 203,701	$ 195,072

Derivation of Net Pension Obligation	
Annual Pension Cost for Current Year	$ 203,701
Actual Contributions to Plan for Prior Year	224,867
Increase in Net Pension Obligation (Asset)	(21,166)
Net Pension Obligation (Asset) as of Beginning of the Year	(46,878)
Net Pension Obligation (Asset) as of End of the Year	$ (68,044)

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Basis of Valuation

Current Valuation Date	January 1, 2011
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)
7/1/10	$ 203,701	$ 224,867	110 %	$ (68,044)
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)

As of the most recent valuation date, January 1, 2011, 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
12/31/2010	$ 1,527,401	$ 2,216,190	$ 688,789	68.9 %	$ 1,375,431	50.1 %

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, 2011.

NOTE 11. DEFINED CONTRIBUTION PENSION PLAN

Certain employees of the County participate in a Defined Contribution Plan (the Plan), which provides retirement benefits to plan participants and beneficiaries. The plan is privately administered, and provisions may be amended by Board-appointed personnel. Employees who are expected to receive $5,000 in annual compensation are eligible for participation. Employees are not required to contribute to the Plan. The County contributes an amount equal to the amount contributed by participants, except that the County shall not match in excess of 3% of the participants' annual compensation. All contributions are fully vested and non-forfeitable. For the fiscal year ending June 30, 2011, the County's contribution to the Plan was $840. The amount contributed by employees was $840.

NOTE 12. 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 13. 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.

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.

Contractual Commitments:

In addition to the liabilities enumerated in the balance sheet at June 30, 2011, the County has contractual commitments on uncompleted contracts of $1,980,943.

NOTE 14. 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, 2011, the County collected $18,227 of hotel/motel taxes. Management represents that $20,012, or 109.8%, of the lodging tax received during the year ended June 30, 2011, was used for the promotion of tourism.

NOTE 15. SUBSEQUENT EVENT

In September 2011, the County's construction line of credit with a local financial institution was repaid in full via the issuance of $784,000 in Water and Sewer System Revenue Bonds. The bonds accrue interest at a rate of 4.25% annually and are payable in monthly installments of principal and interest over a period of 40 years, beginning in September 2012. In September 2011, the County also entered into a grant agreement with the United States Department of Agriculture (USDA). Under the terms of this agreement, the USDA agreed to provide additional funding of up to $2,186,000 for construction of new sewer lines within the County.

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
12/31/2010	$ 1,527,401	$ 2,216,190	$ 688,789	68.9 %	$ 1,375,431	50.1 %
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

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

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, 2011

	Special Revenue			
	Hotel/Motel Tax Fund	E911 Fund	Law Library Fund	Family Connection Fund
ASSETS				
Cash and cash equivalents	$ 3,317	$ 80,829	$ 10,706	$ 45,651
Taxes receivable	1,651	-	-	-
Accounts receivable	-	34,641	-	-
Due from other governments	-	-	-	133,583
Total assets	$ 4,968	$ 115,470	$ 10,706	$ 179,234
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 801	$ -	$ -	$ 18,222
Accrued liabilities	-	-	-	3,556
Due to component unit	510	-	-	-
Due to other funds	-	-	-	163,952
Total liabilities	1,311	-	-	185,730
FUND BALANCES (DEFICIT)				
Restricted:				
Tourism	3,657	-	-	-
E-911	-	115,470	-	-
Drug education	-	-	-	-
Public safety	-	-	-	-
Law library	-	-	10,706	-
Unassigned	-	-	-	(6,496)
Total fund balances (deficit)	3,657	115,470	10,706	(6,496)
Total liabilities and fund balances (deficit)	$ 4,968	$ 115,470	$ 10,706	$ 179,234

Drug Education Fund	Jail Fund	Rural Health Outreach Fund	FAST Start Grant Fund	Totals
$ 7,925	$ 68,953	$ -	$ -	$ 217,381
-	-	-	-	1,651
-	-	-	-	34,641
-	-	-	-	133,583
$ 7,925	$ 68,953	$ -	$ -	$ 387,256
$ -	$ -	$ -	$ -	$ 19,023
-	-	-	-	3,556
-	-	-	-	510
-	-	-	-	163,952
-	-	-	-	187,041
-	-	-	-	3,657
-	-	-	-	115,470
7,925	-	-	-	7,925
-	68,953	-	-	68,953
-	-	-	-	10,706
-	-	-	-	(6,496)
7,925	68,953	-	-	200,215
$ 7,925	$ 68,953	$ -	$ -	$ 387,256

LINCOLN COUNTY, GEORGIA

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

	Special Revenue			
	Hotel/Motel Tax Fund	E911 Fund	Law Library Fund	Family Connection Fund
Revenues:				
Taxes	$ 18,227	$ -	$ -	$ -
Intergovernmental	-	-	-	471,538
Charges for services	-	141,587	-	-
Fines and forfeitures	-	-	4,650	-
Investment income	11	-	-	-
Miscellaneous	-	-	-	-
Total revenues	18,238	141,587	4,650	471,538
Expenditures:				
Current:				
Judicial	-	-	20,149	-
Public safety	-	126,000	-	-
Health and welfare	-	-	-	491,142
Housing and development	20,012	-	-	-
Total expenditures	20,012	126,000	20,149	491,142
Excess (deficiency) of revenues over (under) expenditures	(1,774)	15,587	(15,499)	(19,604)
Other financing sources (uses):				
Transfers in	-	-	-	1,008
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	1,008
Net change in fund balances	(1,774)	15,587	(15,499)	(18,596)
Fund balances (deficit), beginning of year	5,431	99,883	26,205	12,100
Fund balances (deficit), end of year	$ 3,657	$ 115,470	$ 10,706	$ (6,496)

Drug Education Fund	Jail Fund	Rural Health Outreach Fund	FAST Start Grant Fund	Totals
$ -	$ -	$ -	$ -	$ 18,227
-	-	-	-	471,538
-	-	-	-	141,587
839	8,632	-	-	14,121
17	-	-	-	28
-	-	-	20	20
856	8,632	-	20	645,521
-	-	-	-	20,149
756	7,335	-	-	134,091
-	-	-	-	491,142
-	-	-	-	20,012
756	7,335	-	-	665,394
100	1,297	-	20	(19,873)
-	-	-	-	1,008
-	-	(1,008)	-	(1,008)
-	-	(1,008)	-	-
100	1,297	(1,008)	20	(19,873)
7,825	67,656	1,008	(20)	220,088
$ 7,925	$ 68,953	$ -	$ -	$ 200,215

LINCOLN COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

2005 REFERENDUM			Expenditures		
Project Description	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total
Roads, streets and bridges	$ 1,646,567	$ 1,646,567	$ 1,527,821	$ 446,140	$ 1,973,961
Fire protection, rescue facilities and equipment	531,209	531,209	636,826	45,964	682,790
Recreation facilities	547,873	547,873	1,192,417	7,805	1,200,222
City of Lincolnton	474,351	474,351	514,256	44,720	558,976
Total	$ 3,200,000	$ 3,200,000	$ 3,871,320	$ 544,629	$ 4,415,949
		Repayment of principal on debt. Proceeds included in projects above.		18,639	
		Total 2005 SPLOST fund expenditures		$ 563,268	

2011 REFERENDUM			Expenditures		
Project Description	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total
Roads, streets and bridges	$ 1,472,960	$ 1,472,960	$ -	$ 48,911	$ 48,911
Office of Emergency Services building	800,000	800,000	-	-	-
Fire protection, rescue facilities and equipment	576,000	576,000	-	41,155	41,155
Recreation facilities	164,480	164,480	-	-	-
General government infrastructure	352,000	352,000	-	2,648	2,648
City of Lincolnton	634,560	634,560	-	58,294	58,294
Total	$ 4,000,000	$ 4,000,000	$ -	$ 151,008	$ 151,008
		Total 2011 SPLOST fund expenditures		$ 151,008	

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.

LINCOLN COUNTY, GEORGIA

AGENCY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

ASSETS	Tax Commissioner	Clerk of Superior Court	Probate Court	Sheriff	Total
Cash	$ 71,126	$ 156,696	$ 23,723	$ 12,881	$ 264,426
Taxes receivable	345,584	-	-	-	345,584
Total assets	$ 416,710	$ 156,696	$ 23,723	$ 12,881	$ 610,010
LIABILITIES					
Due to component unit	$ 3,669	$ 108	$ -	$ -	$ 3,777
Due to others	67,457	156,588	23,723	12,881	260,649
Uncollected property taxes	345,584	-	-	-	345,584
Total liabilities	$ 416,710	$ 156,696	$ 23,723	$ 12,881	$ 610,010

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2011, which collectively comprise Lincoln County, Georgia's basic financial statements and have issued our report thereon dated December 15, 2011. As discussed in Note 1, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 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

Management of Lincoln County, Georgia is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, 2011.

Lincoln County, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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, 2011

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Lincoln County, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lincoln County, Georgia's major federal programs for the year ended June 30, 2011. Lincoln County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lincoln County, Georgia's management. Our responsibility is to express an opinion on Lincoln County, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lincoln County, Georgia's compliance with those requirements.

In our opinion, Lincoln County, Georgia complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of Lincoln County, Georgia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lincoln County, Georgia's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln County, Georgia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

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.

Macon, Georgia
December 15, 2011

Mauldin & Jenkins, LLC

LINCOLN COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

Grant Program	CFDA #	Grant I.D.	Expenditures
U.S. Department of Justice			
Passed through Council of Juvenile Court Judges			
Purchases of Services for Juvenile Offenders	16.523	JB-08ST-002	$ 1,073
Total U.S. Department of Justice			1,073
U.S. Department of Housing and Urban Development			
CDBG - State Administered CDBG Cluster			
Passed through Georgia Department of Community Affairs			
Community Development Block Grant	14.228	05p-y-090-1-3103	500,000
Total U.S. Department of Housing and Urban Development			500,000
U.S. Department of Transportation			
Passed through Georgia Department of Transportation			
Section 5311 Operating Assistance	20.509	T003122	23,847
Total U.S. Department of Transportation			23,847
U.S. Department of Education			
Passed through Georgia Department of Education			
21st Century Community Learning Centers	84.287	634-100-578	319,130
Total U.S. Department of Education			319,130
U.S. Department of Health and Human Services			
TANF Cluster			
Passed through Georgia Department of Human Resources			
After-School Care Program	93.558	0000004079	6,250
After-School Care Program	93.558	42700-040-0000007047	48,000
			54,250
Passed through Georgia Department of Behavioral Health and Developmental Disabilities			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	441-93-09091061-99	55,909
Total U.S. Department of Health and Human Services			110,159
U.S. Department of Homeland Security			
Passed through Georgia Emergency Management Association			
Performance Partnership Agreement	97.042	OEM 10-092	9,288
Total U.S. Department of Homeland Security			9,288
Total Expenditures of Federal Awards			$ 963,497

Note: The above schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

LINCOLN COUNTY, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of $300,000 or three percent of total federal expenditures. The threshold of $300,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The County did not qualify as a low-risk auditee for the fiscal year ended June 30, 2011.

LINCOLN COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weaknesses identified? ____ yes _X_ no

Significant deficiencies identified not considered to be material weaknesses? _X_ yes ____ no

Noncompliance material to financial statements noted? ____ yes _X_ no

Federal Awards

Internal Control over major programs:
Material weaknesses identified? ____ yes _X_ no

Significant deficiencies identified not considered to be material weaknesses? ____ yes _X_ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? ____ yes _X_ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
	U.S. Department of Housing and Urban Development:
	CDBG – State Administered CDBG Cluster
	Passed through Georgia Department of Community Affairs:
14.228	Community Development Block Grant
	U.S. Department of Education:
	Passed through Georgia Department of Education:
84.287	21st Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? ____ yes _X_ no

LINCOLN COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011 - 1. Segregation of Duties

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

Condition: 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, and Clerk of Superior Court.

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

None noted.

LINCOLN COUNTY, GEORGIA

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

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.

Status: Resolved.

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.

Status: Partially resolved. See Current Year finding number 2011-1.

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, 2011, 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, 2011, 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, 2011

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, 2011	COLUMN 2 **Cumulative Grant Activity** Through the Year Ended: June 30, 2011
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	$2,500.00	$10,000.00
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]	$0.00	$0.00

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 _____ Date **12/13/2011**

Signature of Chief Financial Officer _____ Date **12/13/2011**

THIS PAGE INTENTIONALLY LEFT BLANK