LINCOLN COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

LINCOLN COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
of Lincoln County, Georgia
Lincolnton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lincoln County Health Department or the Development Authority of Lincoln County, which represents 99%, 99%, and 100%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lincoln County Health Department and the Development Authority of Lincoln County, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 11) 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.

Other Information

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 and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 12, 2013

LINCOLN COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013. 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, 2013, by $27,686,972 (net position).
- At June 30, 2013, the County's governmental funds reported combined ending fund balances of $3,155,191, an increase of $425,411 or 13.61% in comparison with the prior year. Of this amount, $1,712,386 remains in the various funds as unreserved.
- At June 30, 2013, the County's General Fund reported an unreserved, undesignated fund balance of $1,708,044, an increase of $102,616 or 6.39% from the last fiscal year.
- The County's 2011 SPLOST Capital Project Fund closed fiscal year 2013 with a fund balance of $575,462.

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 Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position

Net Position may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by $27,686,972 as of June 30, 2013. Of the $27,686,972, $15,109,292 resulted from the County's governmental activities and $12,577,680 resulted from the County's business-type activities.

The largest portion of Lincoln County's net position, 86.6%, 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.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 4,269,203	$ 3,970,885	$ 664,806	$ 551,848	$ 4,934,009	$ 4,522,733
Capital assets	11,400,058	12,146,340	17,347,633	17,734,270	28,747,691	29,880,610
Total assets	15,669,261	16,117,225	18,012,439	18,286,118	33,681,700	34,403,343
Long-term liabilities outstanding	65,987	92,302	4,880,103	4,815,652	4,946,090	4,907,954
Other liabilities	493,982	610,625	554,656	657,772	1,048,638	1,268,397
Total liabilities	559,969	702,927	5,434,759	5,473,424	5,994,728	6,176,351
Net Position:						
Net investment in capital assets	11,400,058	12,121,463	12,579,177	13,038,149	23,979,235	25,159,612
Restricted	1,124,262	807,700	106,706	106,480	1,230,968	914,180
Unrestricted	2,584,972	2,485,135	(108,203)	(331,935)	2,476,769	2,153,200
Total net position	$ 15,109,292	$ 15,414,298	$ 12,577,680	$ 12,812,694	$ 27,686,972	$ 28,226,992

An additional portion of Lincoln County's total net position (4.45%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of total unrestricted net assets, 8.95% may be used to meet the County'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 position for the government as a whole.

Governmental activities decreased the County's net position by $540,020 in 2013. Key elements of this decrease are as follows:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	$ 1,377,625	$ 1,412,652	$ 1,396,278	$ 1,322,940	$ 2,773,903	$ 2,735,592
Operating grants and contributions	1,004,318	1,177,893	-	-	1,004,318	1,177,893
Capital grants and contributions	-	-	33,320	2,152,940	33,320	2,152,940
General revenues:						
Property taxes	2,918,915	2,991,286	-	-	2,918,915	2,991,286
Other taxes	1,843,416	1,755,943	-	-	1,843,416	1,755,943
Investment Income	5,618	3,941	1,605	2,792	7,223	6,733
Gain (loss) on sale of assets	(2,588)	49,927	-	-	(2,588)	49,927
Total revenues	7,147,304	7,391,642	1,431,203	3,478,672	8,578,507	10,870,314
Expenses						
General government	2,049,923	1,908,130	-	-	2,049,923	1,908,130
Judicial	354,220	332,845	-	-	354,220	332,845
Public safety	2,587,831	2,376,104	-	-	2,587,831	2,376,104
Public works	1,453,219	1,410,341	-	-	1,453,219	1,410,341
Health and welfare	384,638	693,769	-	-	384,638	693,769
Culture and recreation	354,012	337,258	-	-	354,012	337,258
Housing and development	268,173	255,792	-	-	268,173	255,792
Interest on long-term debt	294	2,187	-	-	294	2,187
Water	-	-	1,043,492	979,272	1,043,492	979,272
Solid waste	-	-	622,725	647,245	622,725	647,245
Total expenses	7,452,310	7,316,426	1,666,217	1,626,517	9,118,527	8,942,943
Change in net position before transfers	(305,006)	75,216	(235,014)	1,852,155	(540,020)	1,927,371
Transfers	-	(15,469)	-	15,469	-	-
Change in net position	(305,006)	59,747	(235,014)	1,867,624	(540,020)	1,927,371
Net position, beginning of year	15,414,298	15,354,551	12,812,694	10,945,070	28,226,992	26,299,621
Net position, end of year	$ 15,109,292	$ 15,414,298	$ 12,577,680	$ 12,812,694	$ 27,686,972	$ 28,226,992

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financial requirements. In particular, the unreserved fund balance may serve as a useful measure of a county's net resources available for spending at the end of the fiscal year. At the end of the 2013 fiscal year, the combined fund balance of all the governmental funds is $3.5 million, of which $1,708,044, or 48.10%, 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 $1,712,386, while total fund balance was $2,576,508. Total fund balance increased $109,014 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 29.58% of total General Fund expenditures while total fund balance represents 44.50% of that same amount.

Capital Projects Fund

The County uses Capital Projects Funds to account for the acquisition and construction of major capital facilities that are not financed by Proprietary Funds. A major fund in the fund financial statements is the Special Purpose Local Option Sales Tax (SPLOST) Fund. The proceeds of the special purpose 1% sales tax are accounted for in this Capital Projects Fund until expenditures are incurred. The fund balance of the SPLOST Fund increased $135,430 to a balance of $575,462 primarily due to the accumulation of funds to build a public safety building.

Special Revenue Funds

There are six funds accounted for in the Special Revenue Funds section. They are the Hotel/Motel Tax Fund, E911 Fund, Rural Health Fund, Family Connection Fund, Drug Education Fund, and Jail Fund. These funds are used to account for revenues and expenditures specifically dealing with these areas. Total fund balances increased by $180,967 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 position of the Water Fund was $13,701, an increase of $201,131. The Solid Waste Fund reported a deficit of unrestricted net position in the amount of $121,904, a decrease of $22,601. For the year ended June 30, 2013, the proprietary funds reflected total net position of $12,577,680.

General Fund Budgetary Highlights

The original budget was increased by $398,116 due to increased revenues and a grant. The General Fund revenues were $5,898,053. Expenses were $5,789,529. Other income of $490 was derived from the sale of assets There was an excess of revenues over expenditures in the amount of $108,524.

Capital Assets and Debt Administration

Lincoln County's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to $28,747,691 (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.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 578,825	$ 581,903	$ 17,034	$ -	$ 595,859	$ 581,903
Land improvements	126,770	126,770	87,753	87,753	214,523	214,523
Water system and lines	-	-	21,052,391	17,061,307	21,052,391	17,061,307
Infrastructure	22,130,609	22,130,609	-	-	22,130,609	22,130,609
Buildings	4,096,402	4,096,402	-	-	4,096,402	4,096,402
Furniture and equipment	836,548	822,298	119,777	119,777	956,325	942,075
Vehicles	1,237,945	1,214,025	51,169	51,169	1,289,114	1,265,194
Construction in progress	-	-	-	3,967,254	-	3,967,254
Total	29,007,099	28,972,007	21,328,124	21,287,260	50,335,223	50,259,267
Accumulated depreciation	17,607,041	16,825,667	3,980,491	3,552,990	21,587,532	20,378,657
Net Capital Assets	$ 11,400,058	$ 12,146,340	$ 17,347,633	$ 17,734,270	$ 28,747,691	$ 29,880,610

Lincoln County's outstanding debt as of June 30, 2013 was $4.95 million for its governmental and business-type activities, with $683,107 payable within one year. Approximately 98.5% 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

Lincoln County is seeing a slow growth in the housing market with numerous permits being issued for "new" homes which we have not had in several years. While many of the economic factors that were considered when preparing the 2014 budget remain the same as last year, such as increases in state fees and charges, increases in the cost of fringe benefits, a week economy, and changes in legislation—the decrease in sales tax revenues created by the Title Ad Valorem Tax Legislation has caused a 2% percent shortfall to become an 18% shortfall. The drastic decline in sales tax revenues has had a significant impact on capital improvements, the general fund budget, and the transportation budget associated with the T-SPLOST tax.

In the operating budget for FY2014, there was a two percent increase for employees, the first cost of living increase given since 2008, and staffing was reduced by one position. While the day to day operations of the County have changed little over the last few years, the upkeep and maintenance of capital, especially buildings and vehicles, has been put on hold until the economy improves. After several years with a declining digest and no millage rate increase, there is cause for concern that the cost of repairing and replacing vehicles and buildings will keep the county from recovering even if the digest increases.

The Lincoln County Chairman and County Commissioners approved the FY2014 budget with a reallocation of resources between departments in order to continue to maintain the level of services with the same millage rate and a declining digest for the third straight year. The Chairman and County Commissioners continue to focus on roads and public safety as the primary services that are expected by the residents, but are working diligently to improve and increase recreational activities and facilities within the County.

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.

BASIC FINANCIAL STATEMENTS

LINCOLN COUNTY, GEORGIA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 3,323,167	$ 371,541	$ 3,694,708
Taxes receivable	258,643	-	258,643
Accounts receivable, net of allowances	174,999	179,687	354,686
Due from other governments	297,718	-	297,718
Due from component unit	22,867	-	22,867
Due from primary government	-	-	-
Internal balances	46,872	(46,872)	-
Capital leases receivable	-	-	-
Inventories	24,026	-	24,026
Prepaid items	32,139	33	32,172
Restricted assets, cash	-	160,417	160,417
Assets held for resale	-	-	-
Capital assets, non-depreciable	578,825	17,034	595,859
Capital assets, depreciable, net of accumulated depreciation	10,821,233	17,330,599	28,151,832
Other assets	88,772	-	88,772
Total assets	15,669,261	18,012,439	33,681,700
LIABILITIES			
Accounts payable	179,998	160,614	340,612
Accrued liabilities	153,039	26,694	179,733
Unearned revenues	74,873	325,157	400,030
Due to other governments	84,844	42,191	127,035
Due to component unit	1,228	-	1,228
Due to primary government	-	-	-
Compensated absences due within one year	61,000	-	61,000
Compensated absences due in more than one year	4,987	3,297	8,284
Notes payable due within one year	-	558,546	558,546
Notes payable due in more than one year	-	1,122,930	1,122,930
Bonds payable due within one year	-	53,711	53,711
Bonds payable due in more than one year	-	3,033,269	3,033,269
Landfill due within one year	-	9,850	9,850
Landfill due in more than one year	-	98,500	98,500
Total liabilities	559,969	5,434,759	5,994,728
NET POSITION			
Net investment in capital assets	11,400,058	12,579,177	23,979,235
Restricted for:			
Judicial	12,815	-	12,815
Public Safety	145,981	-	145,981
Health and welfare	-	-	-
Culture and recreation	147,908	-	147,908
Capital projects	817,558	-	817,558
Debt service	-	106,706	106,706
Unrestricted (deficit)	2,584,972	(108,203)	2,476,769
Total net position	$ 15,109,292	$ 12,577,680	$ 27,686,972

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

Component Units		
Lincoln County Health Department	Development Authority of Lincoln County	Recreation Authority
$ 79,910	$ 642,075	$ 4,037
-	22,167	-
29,970	-	-
-	-	-
-	-	-
-	2,851	-
-	-	-
-	2,128,458	-
-	-	-
-	-	-
-	-	-
-	96,886	-
-	26,162	-
-	2,365,235	-
-	-	-
109,880	5,283,834	4,037
638	14,992	-
-	4,106	-
-	10,480	-
7,919	-	-
-	-	-
-	22,867	-
8,043	-	-
4,705	-	-
-	121,512	-
-	1,198,071	-
-	58,604	-
-	247,308	-
-	-	-
-	-	-
21,305	1,677,940	-
-	765,902	-
-	-	-
-	-	-
67,831	-	-
-	-	-
-	-	-
-	180,116	-
20,744	2,659,876	4,037
$ 88,575	$ 3,605,894	$ 4,037

LINCOLN COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	$ 2,049,923	$ 237,162	$ 164,448	$ -
Judicial	354,220	127,423	6,968	-
Public safety	2,587,831	935,928	39,288	-
Public works	1,453,219	3,956	379,125	-
Health and welfare	384,638	5,261	250,191	-
Culture and recreation	354,012	41,670	796	-
Housing and development	268,173	26,225	163,502	-
Interest on long-term debt	294	-	-	-
Total governmental activities	7,452,310	1,377,625	1,004,318	-
Business-type activities:				
Water	1,043,492	755,638	-	33,320
Solid waste	622,725	640,640	-	-
Total business-type activities	1,666,217	1,396,278	-	33,320
Total primary government	$ 9,118,527	$ 2,773,903	$ 1,004,318	$ 33,320
Component units:				
Lincoln County Health Department	$ 201,921	$ 67,831	$ 147,798	$ -
Development Authority of Lincoln County	548,462	211,060	9,543	-
Recreation Authority	-	-	-	-
Total component units	$ 750,383	$ 278,891	$ 157,341	$ -
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Loss on sale of assets				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Net (Expenses) Revenues and Changes in Net Position					
			Component Units		
Governmental Activities	Business-type Activities	Total	Lincoln County Health Department	Development Authority of Lincoln County	Recreation Authority
$ (1,648,313)	$ -	$ (1,648,313)	$ -	$ -	$ -
(219,829)	-	(219,829)	-	-	-
(1,612,615)	-	(1,612,615)	-	-	-
(1,070,138)	-	(1,070,138)	-	-	-
(129,186)	-	(129,186)	-	-	-
(311,546)	-	(311,546)	-	-	-
(78,446)	-	(78,446)	-	-	-
(294)	-	(294)	-	-	-
(5,070,367)	-	(5,070,367)	-	-	-
-	(254,534)	(254,534)	-	-	-
-	17,915	17,915	-	-	-
-	(236,619)	(236,619)	-	-	-
(5,070,367)	(236,619)	(5,306,986)	-	-	-
-	-	-	13,708	-	-
-	-	-	-	(327,859)	-
-	-	-	-	-	-
-	-	-	13,708	(327,859)	-
2,918,915	-	2,918,915	-	281,987	-
1,422,642	-	1,422,642	-	-	-
420,774	-	420,774	-	7,252	-
5,618	1,605	7,223	78	875	2
(2,588)	-	(2,588)	-	-	-
4,765,361	1,605	4,766,966	78	290,114	2
(305,006)	(235,014)	(540,020)	13,786	(37,745)	2
15,414,298	12,812,694	28,226,992	74,789	3,643,639	4,035
$ 15,109,292	$ 12,577,680	$ 27,686,972	$ 88,575	$ 3,605,894	$ 4,037

LINCOLN COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	SPLOST Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 2,315,434	$ 614,476	$ 393,257	$ 3,323,167
Taxes receivable	200,810	54,465	3,368	258,643
Accounts receivable, net of allowances	141,815	-	33,184	174,999
Due from other governments	176,465	-	121,253	297,718
Due from component unit	22,867	-	-	22,867
Due from other funds	201,616	-	8,200	209,816
Prepaid items	32,106	-	33	32,139
Inventories	24,026	-	-	24,026
Total assets	$ 3,115,139	$ 668,941	$ 559,295	$ 4,343,375
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 167,261	$ 8,635	$ 4,102	$ 179,998
Accrued liabilities	153,039	-	-	153,039
Unearned revenues	74,873	-	-	74,873
Due to other governments	-	84,844	-	84,844
Due to component unit	-	-	1,228	1,228
Due to other funds	8,200	-	154,744	162,944
Total liabilities	403,373	93,479	160,074	656,926
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	$ 135,258	$ -	$ -	$ 135,258
Total deferred inflows of resources	135,258	-	-	135,258
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid items	$ 32,106	$ -	$ -	$ 32,106
Inventory	24,026	-	-	24,026
Restricted for:				
Public library	145,237	-	-	145,237
Tourism	-	-	2,671	2,671
E-911	-	-	120,156	120,156
Drug education	-	-	8,153	8,153
Public safety	-	-	17,672	17,672
Law library	-	-	12,815	12,815
Capital projects	-	575,462	242,096	817,558
Assigned:				
Subsequent year's budget	662,753	-	-	662,753
Unassigned	1,712,386	-	(4,342)	1,708,044
Total fund balances	2,576,508	575,462	399,221	3,551,191
Total liabilities, deferred inflows of resources, and fund balances	$ 3,115,139	$ 668,941	$ 559,295	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				11,400,058
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				135,258
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(65,987)
Net pension asset used in governmental activities is not a financial resource and, therefore, is not reported in the funds.				88,772
Net position of governmental activities				$ 15,109,292

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, 2013

	General Fund	SPLOST Fund	Other Governmental Funds	Total
Revenues				
Taxes	$ 3,863,528	$ 656,143	$ 261,745	$ 4,781,416
Licenses and permits	34,369	-	-	34,369
Intergovernmental	665,661	-	179,065	844,726
Charges for services	1,007,457	-	163,905	1,171,362
Fines and forfeitures	52,726	-	10,035	62,761
Investment income	5,587	-	31	5,618
Rental income	79,115	-	-	79,115
Miscellaneous	189,610	-	-	189,610
Total revenues	5,898,053	656,143	614,781	7,168,977
Expenditures				
Current:				
General government	1,876,945	-	-	1,876,945
Judicial	350,691	-	3,529	354,220
Public safety	2,200,188	-	224,504	2,424,692
Public works	686,545	-	-	686,545
Health and welfare	199,933	-	184,705	384,638
Culture and recreation	232,840	-	-	232,840
Housing and development	235,211	-	21,076	256,287
Intergovernmental	-	103,973	-	103,973
Capital outlay	-	398,640	-	398,640
Debt service:				
Principal	7,099	17,778	-	24,877
Interest and fiscal charges	77	322	-	399
Total expenditures	5,789,529	520,713	433,814	6,744,056
Excess of revenues over expenditures	108,524	135,430	180,967	424,921
Other financing sources:				
Proceeds from sale of assets	490	-	-	490
Total other financing sources	490	-	-	490
Net change in fund balances	109,014	135,430	180,967	425,411
Fund balances, beginning of year	2,467,494	440,032	218,254	3,125,780
Fund balances, end of year	$ 2,576,508	$ 575,462	$ 399,221	$ 3,551,191

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, 2013

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

Net change in fund balances - total governmental funds	$	425,411
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.		(743,204)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(3,078)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(19,085)
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		24,877
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.		10,073
	$	(305,006)

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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 3,483,310	$ 3,523,310	$ 2,938,002	$ (585,308)
Sales taxes	603,000	603,000	524,428	(78,572)
Other taxes	372,500	387,606	401,098	13,492
Licenses and permits	28,400	29,004	34,369	5,365
Intergovernmental	364,375	582,104	665,661	83,557
Charges for services	939,125	959,772	1,007,457	47,685
Fines and forfeitures	73,670	63,708	52,726	(10,982)
Investment income	2,500	2,500	5,587	3,087
Rental income	60,230	70,230	79,115	8,885
Miscellaneous	42,975	146,967	189,610	42,643
Total revenues	5,970,085	6,368,201	5,898,053	(470,148)
Expenditures:				
Current:				
General government:				
Board of county commissioners	137,237	145,920	145,888	32
Elections	87,991	89,797	88,800	997
General administration	1,566,680	1,595,425	1,128,194	467,231
Finance office	72,656	72,656	72,012	644
County attorney	64,552	87,752	86,905	847
Tax commissioner	175,375	167,101	160,681	6,420
Tax assessor	141,620	134,893	137,385	(2,492)
Information technology	54,356	54,356	50,264	4,092
Board of equalization	5,690	8,650	6,816	1,834
Total general government	2,306,157	2,356,550	1,876,945	479,605
Judicial:				
Clerk of superior court	205,076	191,399	187,619	3,780
District attorney	6,800	6,800	6,265	535
Probate court	149,660	151,840	152,716	(876)
Juvenile court	2,100	3,050	4,091	(1,041)
Total judicial	363,636	353,089	350,691	2,398
Public safety:				
Sheriff	612,672	630,090	626,353	3,737
Jail	608,120	666,725	653,667	13,058
Communications	192,454	212,841	214,318	(1,477)
Fire	9,746	9,746	6,373	3,373
Office of emergency services	584,294	707,209	689,895	17,314
Coroner	11,327	9,987	9,582	405
Total public safety	2,018,613	2,236,598	2,200,188	36,410
Public works:				
Shop	91,469	86,484	87,953	(1,469)
Roads	573,195	642,628	598,592	44,036
Total public works	664,664	729,112	686,545	42,567

(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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (continued):				
Health and welfare:				
Health department	$ 38,800	$ 38,800	$ 38,800	$ -
DFACS	6,400	2,555	2,485	70
Senior citizens	59,227	74,150	75,755	(1,605)
Lincoln center	20,662	13,740	10,715	3,025
Transit	76,519	74,662	72,178	2,484
Total health and welfare	201,608	203,907	199,933	3,974
Culture and recreation:				
Art and recreation	130,871	126,394	121,186	5,208
Library	93,696	101,320	101,867	(547)
Cherokee Park	31,940	17,782	9,787	7,995
Total culture and recreation	256,507	245,496	232,840	12,656
Housing and development:				
Cooperative extension service	45,270	41,519	44,200	(2,681)
Planning and permits	54,465	45,661	43,701	1,960
GIS	18,035	8,934	1,934	7,000
Code enforcement	56,130	46,029	44,508	1,521
Economic development	-	101,796	100,868	928
Total housing and development	173,900	243,939	235,211	8,728
Debt service:				
Principal	-	-	7,099	(7,099)
Interest	-	-	77	(77)
Total debt service	-	-	7,176	(7,176)
Total expenditures	5,985,085	6,368,691	5,789,529	579,162
Excess (deficiency) of revenues over (under) expenditures	(15,000)	(490)	108,524	109,014
Other financing sources:				
Proceeds from sale of assets	15,000	490	490	-
Total other financing sources	15,000	490	490	-
Net change in fund balance	-	-	109,014	109,014
Fund balance, beginning of year	2,467,494	2,467,494	2,467,494	-
Fund balance, end of year	$ 2,467,494	$ 2,467,494	$ 2,576,508	$ 109,014

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

ASSETS	Major Enterprise Funds: Water Fund	Major Enterprise Funds: Solid Waste Fund	Totals
CURRENT ASSETS			
Cash	$ 113,910	$ 257,631	$ 371,541
Accounts receivable, net of allowances	96,417	83,270	179,687
Prepaid expenses	33	-	33
Restricted assets, cash	160,417	-	160,417
Total current assets	370,777	340,901	711,678
NONCURRENT ASSETS			
Capital assets			
Capital assets, non-depreciable	17,034	-	17,034
Capital assets, depreciable, net of accumulated depreciation	17,275,754	54,845	17,330,599
Total capital assets	17,292,788	54,845	17,347,633
Total noncurrent assets	17,292,788	54,845	17,347,633
Total assets	17,663,565	395,746	18,059,311
LIABILITIES			
CURRENT LIABILITIES			
Payable from current assets:			
Accounts payable	112,842	47,772	160,614
Accrued liabilities	26,439	255	26,694
Unearned revenues	20,182	304,975	325,157
Notes payable, current portion	558,546	-	558,546
Postclosure liability, current portion	-	9,850	9,850
Due to other governments	42,191	-	42,191
Due to other funds	45,419	1,453	46,872
Total payable from current assets	805,619	364,305	1,169,924
Payable from restricted assets:			
Revenue bonds payable, current portion	53,711	-	53,711
Total payable from restricted assets	53,711	-	53,711
Total current liabilities	859,330	364,305	1,223,635
NONCURRENT LIABILITIES			
Revenue bonds payable, net of current portion	3,033,269	-	3,033,269
Postclosure liability, net of current portion	-	98,500	98,500
Compensated absences	3,297	-	3,297
Notes payable, net of current portion	1,122,930	-	1,122,930
Total noncurrent liabilities	4,159,496	98,500	4,257,996
Total liabilities	5,018,826	462,805	5,481,631
NET POSITION			
Net investment in capital assets	12,524,332	54,845	12,579,177
Restricted for:			
Debt service	106,706	-	106,706
Unrestricted	13,701	(121,904)	(108,203)
Total net position	$ 12,644,739	$ (67,059)	$ 12,577,680

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Major Enterprise Funds		
	Water Fund	Solid Waste Fund	Totals
Operating revenues:			
Charges for services	$ 755,638	$ 640,640	$ 1,396,278
Total operating revenues	755,638	640,640	1,396,278
Operating expenses:			
Purchases	171,881	-	171,881
Salaries and benefits	143,697	28,800	172,497
Materials and supplies	29,714	981	30,695
Repairs and maintenance	27,222	892	28,114
Professional and contract services	40,138	584,790	624,928
Utilities	30,022	1,634	31,656
Other operating expenses	34,327	1,240	35,567
Depreciation	423,113	4,388	427,501
Total operating expenses	900,114	622,725	1,522,839
Operating income (loss)	(144,476)	17,915	(126,561)
Nonoperating revenues (expenses):			
Investment income	1,307	298	1,605
Interest expense	(143,378)	-	(143,378)
Total nonoperating revenues (expenses)	(142,071)	298	(141,773)
Income (loss) before contributions	(286,547)	18,213	(268,334)
Capital contributions	33,320	-	33,320
Change in net position	(253,227)	18,213	(235,014)
Net position, beginning of year	12,897,966	(85,272)	12,812,694
Net position, end of year	$ 12,644,739	$ (67,059)	$ 12,577,680

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, 2013

	Major Enterprise Funds		
	Water Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 749,921	$ 614,677	$ 1,364,598
Payments to suppliers and service providers	(236,839)	(599,212)	(836,051)
Payments to employees	(311,061)	(28,800)	(339,861)
Net cash provided by (used in) operating activities	202,021	(13,335)	188,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property and equipment	(40,864)	-	(40,864)
Borrowings on notes payable	906,602	-	906,602
Principal paid on bonds	(49,275)	-	(49,275)
Principal paid on notes payable	(784,992)	-	(784,992)
Capital contributions	33,320	-	33,320
Interest paid	(163,144)	-	(163,144)
Net cash used in capital and related financing activities	(98,353)	-	(98,353)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	1,307	298	1,605
Net cash provided by investing activities	1,307	298	1,605
Net increase (decrease) in cash and cash equivalents	104,975	(13,037)	91,938
Cash and cash equivalents:			
Beginning of year	169,352	270,668	440,020
End of year	$ 274,327	$ 257,631	$ 531,958
Classified as:			
Cash and cash equivalents	$ 113,910	$ 257,631	$ 371,541
Restricted assets, cash and cash equivalents	160,417	-	160,417
	$ 274,327	$ 257,631	$ 531,958

(Continued)

LINCOLN COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Major Enterprise Funds		
	Water Fund	Solid Waste Fund	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (144,476)	$ 17,915	$ (126,561)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	423,113	4,388	427,501
Increase in accounts receivable	(7,811)	(21,649)	(29,460)
Decrease in due from other funds	1,320	1,731	3,051
Increase in prepaid expenses	(33)	-	(33)
Increase (decrease) in accounts payable	48,985	(3,080)	45,905
Increase (decrease) in accrued liabilities	(169,297)	71	(169,226)
Increase (decrease) in unearned revenues	2,094	(4,314)	(2,220)
Increase in compensated absences	1,966	-	1,966
Decrease in postclosure liability	-	(9,850)	(9,850)
Increase in due to other funds	3,969	1,453	5,422
Net cash provided by (used in) operating activities	$ 202,021	$ (13,335)	$ 188,686

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds
ASSETS	
Cash	$ 410,043
Taxes receivable	433,103
Total assets	$ 843,146
LIABILITIES	
Due to component unit	$ 5,166
Due to others	404,877
Uncollected property taxes	433,103
Total liabilities	$ 843,146

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 maintains its financial records on a fiscal year ending June 30. The Lincoln County Development Authority's financial statements may be obtained by writing to the Lincoln County Development Authority, 112 N. Washington Street, Lincolnton, Georgia 30817.

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 position 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 Fund*** is used to account for expenditures for capital improvements made by the County for transportation improvements and infrastructure. Financing is provided by the revenues from a transportation special purpose local option sales tax.

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

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, with which the County is in compliance as of June 30, 2013.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $33,320 was recorded during the year ended June 30, 2013.

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
Vehicles	5
Furniture, fixtures, and equipment	5-10
Infrastructure	40

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position. Bond premiums and discounts 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.

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. Deferred Outflows / Inflows of Resources

The County implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of* Resources, and Net Position and No. 65*, Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The County has no items that qualify for reporting in this category.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the 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:

- ***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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets 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 position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. 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 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 position 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 $743,204 difference are as follows:

Capital outlay	$	38,170
Depreciation expense		(781,374)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position - governmental activities*	$	(743,204)

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

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

Another element of the reconciliation states that "the 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 position. Also, governmental funds report the effect of 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 $24,877 difference are as follows:

Principal repayments:		
Capital leases	$	17,778
Notes payable		7,099
Net adjustment to increase net changes in *fund balances - total governmental funds* to arrive at changes in *net position - governmental activities*	$	24,877

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 $10,073 difference are as follows:

Compensated absences	$	1,438
Accrued interest		105
Net pension asset		8,530
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	10,073

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.

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 Solid Waste Fund had a deficit net position balance of $67,059 at June 30, 2013. In addition, the Family Connection Fund had a deficit fund balance of $4,342 at June 30, 2013. The County plans to eliminate the deficit balances through future operations and transfers from the General Fund.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Excess Expenditures over Appropriations. For the year ended June 30, 2013, expenditures exceeded budget in the General Fund, as follows:

Department	Excess
Tax assessor	$ 2,492
Probate court	876
Juvenile court	1,041
Communications	1,477
Shop	1,469
Senior citizens	1,605
Cooperative extension service	2,681
Library	547
Debt service	7,176

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, 2013.

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

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2013, 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, 2013 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	$ 231,641	$ 54,465	$ -	$ -	$ 3,368	$ 289,474
Accounts	500,395	-	139,594	103,473	33,184	776,646
Gross receivables	732,036	54,465	139,594	103,473	36,552	1,066,120
Less allowance	(389,411)	-	(43,177)	(20,203)	-	(452,791)
Net receivables	$ 342,625	$ 54,465	$ 96,417	$ 83,270	$ 36,552	$ 613,329

Property taxes were levied on September 6, 2012. Bills are payable on or before December 20, 2012, 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 2012 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended June 30, 2013, and collected by August 31, 2013, are recognized as revenues in the year ended June 30, 2013. Net receivables estimated to be collected subsequent to August 31, 2013 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, 2012.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 581,903	$ -	$ (3,078)	$ -	$ 578,825
Total	581,903	-	(3,078)	-	578,825
Capital assets, being depreciated:					
Land improvements	126,770	-	-	-	126,770
Infrastructure	22,130,609	-	-	-	22,130,609
Buildings	4,096,402	-	-	-	4,096,402
Vehicles	1,214,025	23,920	-	-	1,237,945
Furniture, fixtures and equipment	822,298	14,250	-	-	836,548
Total	28,390,104	38,170	-	-	28,428,274
Less accumulated depreciation for:					
Land improvements	11,092	3,169	-	-	14,261
Infrastructure	12,752,287	507,778	-	-	13,260,065
Buildings	2,374,584	135,218	-	-	2,509,802
Vehicles	1,098,230	52,044	-	-	1,150,274
Furniture, fixtures and equipment	589,474	83,165	-	-	672,639
Total	16,825,667	781,374	-	-	17,607,041
Total capital assets, being depreciated, net	11,564,437	(743,204)	-	-	10,821,233
Governmental activities capital assets, net	$ 12,146,340	$ (743,204)	$ (3,078)	$ -	$ 11,400,058

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ -	$ -	$ -	$ 17,034	$ 17,034
Construction in progress	3,967,254	40,864	-	(4,008,118)	-
Total	3,967,254	40,864	-	(3,991,084)	17,034
Capital assets, being depreciated:					
Water system and lines	17,061,307	-	-	3,991,084	21,052,391
Land improvements	87,753	-	-	-	87,753
Vehicles	51,169	-	-	-	51,169
Furniture and equipment	119,777	-	-	-	119,777
Total	17,320,006	-	-	3,991,084	21,311,090
Less accumulated depreciation for:					
Water system and lines	3,362,838	421,049	-	-	3,783,887
Land improvements	28,521	4,388	-	-	32,909
Vehicles	47,597	1,036	-	-	48,633
Furniture and equipment	114,034	1,028	-	-	115,062
Total	3,552,990	427,501	-	-	3,980,491
Total capital assets, being depreciated, net	13,767,016	(427,501)	-	3,991,084	17,330,599
Business-type activities capital assets, net	$ 17,734,270	$ (386,637)	$ -	$ -	$ 17,347,633

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

Governmental activities:	
General government	$ 32,957
Public safety	119,014
Public works	530,330
Culture and recreation	86,892
Housing and development	12,181
Total depreciation expense - governmental activites	$ 781,374
Business-type activities:	
Water	$ 423,113
Solid waste	4,388
Total depreciation expense - business-type activities	$ 427,501

NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the Development Authority for the fiscal year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 24,877	$ -	$ -	$ -	$ 24,877
Construction in progress	53,225	403,141	(455,081)	-	1,285
Total	78,102	403,141	(455,081)	-	26,162
Capital assets, being depreciated:					
Buildings	4,754,512	-	(2,456,157)	-	2,298,355
Land improvements	716,407	-	-	-	716,407
Furniture, fixtures and equipment	40,529	-	(795)	-	39,734
Total	5,511,448	-	(2,456,952)	-	3,054,496
Less accumulated depreciation for:					
Buildings	1,175,173	140,922	(782,780)	-	533,315
Land improvements	98,027	24,994	-	-	123,021
Furniture, fixtures and equipment	31,644	2,076	(795)	-	32,925
Total	1,304,844	167,992	(783,575)	-	689,261
Total capital assets, being depreciated, net	4,206,604	(167,992)	(1,673,377)	-	2,365,235
Capital assets, net	$ 4,284,706	$ 235,149	$ (2,128,458)	$ -	$ 2,391,397

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	$ 7,099	$ -	$ 7,099	$ -	$ -
Capital leases	17,778	-	17,778	-	-
Compensated absences	67,425	59,120	60,558	65,987	61,000
Totals	$ 92,302	$ 59,120	$ 85,435	$ 65,987	$ 61,000

NOTE 7. LONG-TERM DEBT (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 3,136,255	$ -	$ 49,275	$ 3,086,980	$ 53,711
Notes payable	1,559,866	906,602	784,992	1,681,476	558,546
Landfill postclosure	118,200	-	9,850	108,350	9,850
Compensated absences	1,331	7,892	5,926	3,297	-
Totals	$ 4,815,652	$ 914,494	$ 850,043	$ 4,880,103	$ 622,107
Development Authority:					
Revenue bonds	$ 361,703	$ -	$ 55,791	$ 305,912	$ 58,604
Notes payable	970,382	450,000	100,799	1,319,583	121,512
Totals	$ 1,332,085	$ 450,000	$ 156,590	$ 1,625,495	$ 180,116

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.

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, 2013, 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.	$ 395,056
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.	468,832
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.	1,445,093
Series 2011 $784,000 Water Revenue Bonds, due in monthly principal installments of $3,434, including interest at 4.25%. Final payment is due September 22, 2051.	777,999
	$ 3,086,980

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

Year ending June 30,	Principal	Interest
2014	$ 53,711	$ 141,121
2015	56,310	138,521
2016	59,036	135,796
2017	61,895	132,937
2018	64,893	129,939
2019-2023	374,803	599,357
2024-2028	474,989	499,171
2029-2033	592,450	372,062
2034-2038	477,940	242,344
2039-2043	500,384	138,256
2044-2048	246,770	46,392
2049-2052	123,799	8,884
	$ 3,086,980	$ 2,584,780

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, 2013 is $305,912.

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

Year ending June 30,	Principal	Interest
2014	$ 58,604	$ 13,756
2015	61,556	10,804
2016	64,656	7,702
2017	67,914	4,444
2018	53,182	1,170
	$ 305,912	$ 37,876

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes Payable. 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, 2013:

Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
4.76%	20 years	2020	$ 212,432	$ 88,889
1.50%	20 years	2028	1,449,967	1,116,337
				$ 1,205,226

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 $476,250, of which $476,250 had been drawn as of June 30, 2013.

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

Year ending June 30,	Principal	Interest
2014	$ 82,296	$ 2,038
2015	83,956	18,378
2016	85,662	16,672
2017	87,415	14,919
2018	89,216	13,118
2019-2023	407,526	42,171
2024-2027	369,155	11,552
	$ 1,205,226	$ 118,848

The above debt service requirements to maturity table does not include provision for the construction line of credit agreement for $476,250, of which $476,250 had been drawn as of June 30, 2013.

Notes 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, 2013, was $876,793. During the year ended June 30, 2013 the Development Authority entered into a note payable agreement with a local financial institution in the amount of $450,000. The proceeds of this note were used to construct a new building. The note is due in monthly installments of $3,166, including interest of 3.2%. Final payment is due on May 18, 2015. The outstanding balance of the note at June 30, 2013, was $442,790.

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

Year ending June 30,	Principal	Interest
2014	$ 121,512	$ 48,475
2015	520,469	43,570
2016	105,943	26,057
2017	110,413	21,587
2018	115,072	16,928
2019-2021	346,174	20,910
	$ 1,319,583	$ 177,527

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, 2013, the County has 11 years of monitoring remaining. The liability for the landfill postclosure care costs is estimated to be $108,350 as of June 30, 2013. These estimated costs are based on what it would cost to perform all postclosure care in 2013. 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, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	$ 45,419
General Fund	Solid Waste Fund	1,453
Nonmajor Governmental	General Fund	8,200
General Fund	Nonmajor Governmental Funds	154,744
		$ 209,816

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.

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, 2013, the County paid $6,780 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.

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.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2013, (the most recent actuarial valuation date) are as follows:

	January 1, 2013	January 1, 2012
Derivation of Annual Pension Cost		
Annual Required Contribution	$ 221,232	$ 207,127
Interest on Net Pension Obligation	(6,219)	(5,273)
Amortization of Net Pension Obligation	6,654	5,643
Annual Pension Cost	$ 221,667	$ 207,497

Derivation of Net Pension Obligation	
Annual Pension Cost for Current Year	$ 221,667
Actual Contributions to Plan for Prior Year	230,198
Increase in Net Pension Obligation (Asset)	(8,531)
Net Pension Obligation (Asset) as of Beginning of the Year	(80,241)
Net Pension Obligation (Asset) as of End of the Year	$ (88,772)

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Basis of Valuation

Current Valuation Date	January 1, 2013
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	9

Trend Information for The Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
7/1/12	$ 221,667	$ 230,198	104 %	$ (88,772)
7/1/11	207,497	219,695	106	(80,242)
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)

As of the most recent valuation date, January 1, 2013, 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
12/31/2012	$ 1,965,427	$ 2,689,797	$ 724,370	73.1 %	$ 1,571,701	46.1 %

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, 2013.

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, 2013, the County's contribution to the Plan was $60. The amount contributed by employees was $60.

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.

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, 2013, the County collected $19,674 of hotel/motel taxes. Management represents that $19,672, or 100%, of the lodging tax received during the year ended June 30, 2013, was used for the promotion of tourism.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLAN

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2012	$ 1,965,427	$ 2,689,797	$ 724,370	73.1 %	$ 1,571,701	46.1 %
12/31/2011	1,730,023	2,408,548	678,525	71.8	1,564,111	43.4
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

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.

Capital Projects Fund

T-SPLOST Fund – To account the property acquisition and construction of projects designated to be funded from the special 1% sales tax created with the Transportation Improvement Act of 2010.

LINCOLN COUNTY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue			
	Hotel/Motel Tax Fund	E911 Fund	Law Library Fund	Family Connection Fund
ASSETS				
Cash and cash equivalents	$ 2,584	$ 63,836	$ 12,815	$ 86,165
Taxes receivable	3,368	-	-	-
Accounts receivable	-	33,184	-	-
Due from other governments	-	14,936	-	65,253
Due from other funds	-	8,200	-	-
Prepaid Items	-	-	-	33
Total assets	$ 5,952	$ 120,156	$ 12,815	$ 151,451
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 2,053	$ -	$ -	$ 2,049
Due to component unit	1,228	-	-	-
Due to other funds	-	-	-	153,744
Total liabilities	3,281	-	-	155,793
FUND BALANCES				
Restricted:				
Tourism	2,671	-	-	-
E-911	-	120,156	-	-
Drug education	-	-	-	-
Public safety	-	-	-	-
Capital Projects	-	-	-	-
Law library	-	-	12,815	-
Unassigned	-	-	-	(4,342)
Total fund balances	2,671	120,156	12,815	(4,342)
Total liabilities and fund balances	$ 5,952	$ 120,156	$ 12,815	$ 151,451

		Capital Projects	
Drug Education Fund	Jail Fund	T-SPLOST Fund	Totals
$ 8,153	$ 17,672	$ 202,032	$ 393,257
-	-	-	3,368
-	-	-	33,184
-	-	41,064	121,253
-	-	-	8,200
-	-	-	33
$ 8,153	$ 17,672	$ 243,096	$ 559,295
$ -	$ -	$ -	$ 4,102
-	-	-	1,228
-	-	1,000	154,744
-	-	1,000	160,074
-	-	-	2,671
-	-	-	120,156
8,153	-	-	8,153
-	17,672	-	17,672
-	-	242,096	242,096
-	-	-	12,815
-	-		(4,342)
8,153	17,672	242,096	399,221
$ 8,153	$ 17,672	$ 243,096	$ 559,295

LINCOLN COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Special Revenue			
	Hotel/Motel Tax Fund	E911 Fund	Law Library Fund	Family Connection Fund
Revenues:				
Taxes	$ 19,674	$ -	$ -	$ -
Intergovernmental	-	-	-	179,065
Charges for services	-	163,905	-	-
Fines and forfeitures	-	-	3,585	-
Investment income	2	-	-	-
Total revenues	19,676	163,905	3,585	179,065
Expenditures:				
Current:				
Judicial	-	-	3,529	-
Public safety	-	171,124	-	-
Health and welfare	-	-	-	184,705
Housing and development	21,076	-	-	-
Total expenditures	21,076	171,124	3,529	184,705
Net change in fund balances	(1,400)	(7,219)	56	(5,640)
Fund balances, beginning of year	4,071	127,375	12,759	1,298
Fund balances (deficit), end of year	$ 2,671	$ 120,156	$ 12,815	$ (4,342)

		Capital Projects	
Drug Education Fund	Jail Fund	T-SPLOST Fund	Totals
$ -	$ -	$ 242,071	$ 261,745
-	-	-	179,065
-	-	-	163,905
482	5,968	-	10,035
4	-	25	31
486	5,968	242,096	614,781
-	-	-	3,529
1,840	51,540	-	224,504
-	-	-	184,705
-	-	-	21,076
1,840	51,540	-	433,814
(1,354)	(45,572)	242,096	180,967
9,507	63,244	-	218,254
$ 8,153	$ 17,672	$ 242,096	$ 399,221

LINCOLN COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Roads, streets and bridges	$ 1,472,960	$ 1,472,960	$ 328,282	$ 255,061	$ 583,343
Office of Emergency Services building	800,000	800,000	-	-	-
Fire protection, rescue facilities and equipment	576,000	576,000	138,233	85,236	223,469
Recreation facilities	164,480	164,480	5,197	33,488	38,685
General government infrastructure	352,000	352,000	31,200	42,956	74,156
City of Lincolnton	634,560	634,560	177,916	103,972	281,888
Total	$ 4,000,000	$ 4,000,000	$ 680,828	$ 520,713	$ 1,201,541

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, 2013

ASSETS	Tax Commissioner	Clerk of Superior Court	Probate Court	Sheriff	Total
Cash	$ 202,512	$ 168,814	$ 22,835	$ 15,882	$ 410,043
Taxes receivable	433,103	-	-	-	433,103
Total assets	$ 635,615	$ 168,814	$ 22,835	$ 15,882	$ 843,146
LIABILITIES					
Due to component unit	$ 4,717	$ 449	$ -	$ -	$ 5,166
Due to others	197,795	168,365	22,835	15,882	404,877
Uncollected property taxes	433,103	-	-	-	433,103
Total liabilities	$ 635,615	$ 168,814	$ 22,835	$ 15,882	$ 843,146

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 12, 2013. Our report includes a reference to other auditors who audited the financial statements of the Lincoln County Health Department and the Development Authority of Lincoln County, as described in our report of the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report also includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No.65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2013-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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.*

Lincoln County's Response to Finding

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 12, 2013

LINCOLN COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
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

There was no audit of major federal award programs as of June 30, 2013 due to the total amount of federal expenditures being less than $500,000 during the fiscal year 2013.

LINCOLN COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2013 - 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 QUESTIONED COSTS

None noted.

LINCOLN COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

2012 - 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.

Status: Unresolved. See current year finding at 2013-1.