LINCOLN COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

LINCOLN COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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MAULDIN & JENKINS

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, 2016, 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% 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Workforce Development Grant Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Schedule of Changes in the County's Net Pension Liability and Related Ratios on page 60, the Schedule of County Contributions on page 61, the Schedule of Proportionate Share of the Net Pension Liability – Health Department on page 62, and the Schedule of Contributions – Health Department on page 63 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 48-8-121, 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 27, 2016, 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 27, 2016

LINCOLN COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016. 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, 2016, by $25,851,242 (net position).
- At June 30, 2016, the County's governmental funds reported combined ending fund balances of $3,607,509 a decrease of $386,631 or 9.68% in comparison with the prior year. Of this amount, $1,921,024 remains in the various funds as unassigned.
- At June 30, 2016, the County's General Fund reported an unreserved, undesignated fund balance of $1,921,024, a decrease of $81,289 or 4.06% from the last fiscal year.
- The County's 2011 SPLOST Capital Project Fund closed fiscal year 2016 with a fund balance of $275,725.

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 nonmajor 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 position changed during the most recent fiscal year. All changes in 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, judicial, public safety, public works, health and welfare, culture and recreation, and housing and development. 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, Solid Waste Fund, and Campgrounds and Parks 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 Funds.

Proprietary Funds

The County operates three enterprise funds to account for activities that operate similarly 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 three enterprise funds: the Solid Waste Fund, Water Fund, and Campground and Parks 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 $25,851,242 as of June 30, 2016. Of the $25,851,242, $14,171,964 resulted from the County's governmental activities and $11,679,278 resulted from the County's business-type activities.

The largest portion of Lincoln County's net position, 88.69%, 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 4,455,048	$ 4,622,080	$ 614,186	$ 600,376	$ 5,069,234	$ 5,222,456
Capital assets	11,326,340	11,048,870	16,124,379	16,489,511	27,450,719	27,538,381
Total assets	15,781,388	15,670,950	16,738,565	17,089,887	32,519,953	32,760,837
Deferred outflows of resources	237,756	16,660	9,907	694	247,663	17,354
Long-term liabilities outstanding	988,292	701,382	4,416,775	4,436,514	5,405,067	5,137,896
Other liabilities	858,888	631,275	652,419	622,477	1,511,307	1,253,752
Total liabilities	1,847,180	1,332,657	5,069,194	5,058,991	6,916,374	6,391,648
Net Position:						
Net investment in capital assets	11,284,072	10,985,308	11,643,733	12,011,389	22,927,805	22,996,697
Restricted	1,000,283	1,328,543	27,655	112,463	1,027,938	1,441,006
Unrestricted	1,887,609	2,041,102	7,890	(92,262)	1,895,499	1,948,840
Total net position	$14,171,964	$14,354,953	$11,679,278	$12,031,590	$25,851,242	$26,386,543

An additional portion of Lincoln County's total net position (3.98%) represents resources that are subject to external restrictions on how they may be used. The remaining balance or total unrestricted net position, 7.33% may be used to meet the Government's ongoing obligations to citizens and creditors.

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

Governmental activities decreased the County's net position by $182,989 in 2016. Key elements of this decrease are as follows:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	$ 1,404,530	$ 1,362,303	$ 1,621,474	$ 1,501,585	$ 3,026,004	$ 2,863,888
Operating grants and contributions	2,664,057	2,789,307	-	-	2,664,057	2,789,307
Capital grants and contributions	-	484,450	-	984	-	485,434
General revenues:						
Property taxes	3,009,300	2,964,106	-	-	3,009,300	2,964,106
Other taxes	2,215,202	2,165,982	-	-	2,215,202	2,165,982
Investment Income	3,537	3,355	845	777	4,382	4,132
Gain (loss) on sale of assets	-	-	-	-	-	-
Total revenues	9,296,626	9,769,503	1,622,319	1,503,346	10,918,945	11,272,849
Expenses						
General government	2,312,685	1,997,790	-	-	2,312,685	1,997,790
Judicial	374,970	365,748	-	-	374,970	365,748
Public safety	2,321,235	2,530,803	-	-	2,321,235	2,530,803
Public works	1,799,541	2,057,143	-	-	1,799,541	2,057,143
Health and welfare	2,019,402	2,087,858	-	-	2,019,402	2,087,858
Culture and recreation	334,061	349,452	-	-	334,061	349,452
Housing and development	250,716	245,718	-	-	250,716	245,718
Interest on long-term debt	-	-	-	-	-	-
Water	-	-	1,302,532	1,057,200	1,302,532	1,057,200
Solid waste	-	-	654,789	637,969	654,789	637,969
Campgrounds and parks	-	-	84,315	75,941	84,315	75,941
Total expenses	9,412,610	9,634,512	2,041,636	1,771,110	11,454,246	11,405,622
Change in net position before transfers	(115,984)	134,991	(419,317)	(267,764)	(535,301)	(132,773)
Transfers	(67,005)	-	67,005	-	-	-
Change in net position	(182,989)	134,991	(352,312)	(267,764)	(535,301)	(132,773)
Net position, beginning of year, as restated	14,354,953	14,219,962	12,031,590	12,299,354	26,386,543	26,519,316
Net position, end of year	$14,171,964	$14,354,953	$11,679,278	$12,031,590	$25,851,242	$26,386,543

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 2016 fiscal year, the combined fund balance of all the governmental funds was $3,607,509, of which $1,921,024, or 53.26%, was unreserved.

General Fund

The General Fund is the primary operating fund of the Government. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was $1,921,024, while total fund balance was $2,753,604. Total fund balance decreased $58,047 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 31.38% of total General Fund expenditures while total fund balance represents 44.98% of that same amount.

Capital Projects Fund

The Government uses Capital Projects Funds to account for the acquisition and construction of major capital facilities that are not financed by Proprietary Funds. A major fund in the fund financial statements is the Special Purpose Local Option Sales Tax (SPLOST) Fund. The proceeds of the special purpose 1% sales tax are accounted for in this Capital Projects Fund until expenditures are incurred. The fund balance of the SPLOST Fund decreased $367,825 to a balance of $275,725 primarily due to continued progress on approved projects.

Special Revenue Funds

There are seven funds accounted for in the Special Revenue Funds section. They are the Workforce Development Grant Fund, Hotel/Motel Tax Fund, E911 Fund, Law Library 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 $39,241 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 of $84,535, an increase of $88,014. The Solid Waste Fund reported a deficit of unrestricted net position in the amount of $76,254, an increase of $22,059. The Campgrounds and Parks Fund reported a deficit net position in the amount of $391, a decrease of $9,921. For the year ended June 30, 2016, the proprietary funds reflected total net position of $11,679,278.

General Fund Budgetary Highlights

The original budget was increased by $183,161 due to an increase in anticipated interfund transfers. The General Fund revenues were $6,064,318. Expenses were $6,122,365. There was a deficiency of revenues under expenditures in the amount of $58,047.

Capital Assets and Debt Administration

Lincoln County's net investment in capital assets for its governmental and business-type activities as of June 30, 2016, amount to $27,450,719 (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	
	2016	2015	2016	2015	2016	2015
Land	$ 578,825	$ 578,825	$ 17,034	$ 17,034	$ 595,859	$ 595,859
Land improvements	126,770	126,770	87,753	87,753	214,523	214,523
Water system and lines	-	-	21,052,391	21,052,391	21,052,391	21,052,391
Infrastructure	22,615,059	22,615,059	-	-	22,615,059	22,615,059
Buildings	4,103,031	4,103,031	-	-	4,103,031	4,103,031
Furniture and equipment	1,121,781	1,004,249	186,782	119,777	1,308,563	1,124,026
Vehicles	1,510,126	1,331,528	51,169	51,169	1,561,295	1,382,697
Construction in progress	903,444	246,125	-	-	903,444	246,125
Total	30,959,036	30,005,587	21,395,129	21,328,124	52,354,165	51,333,711
Accumulated depreciation	19,632,696	18,956,717	5,270,750	4,838,613	24,903,446	23,795,330
Net Capital Assets	$11,326,340	$11,048,870	$16,124,379	$16,489,511	$27,450,719	$27,538,381

Lincoln County's outstanding debt as of June 30, 2016, was $5,698,622 million for its governmental and business-type activities, with $293,555 payable within one year. Approximately 80.8% 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 has seen an increase in housing permits issued in the last couple of years and has prospective growth in recreational and agricultural industries in the coming year. While many economic factors were considered while preparing the 2016 budget the most significant factor is still related to the continued increase in all insurance coverage. The increasing costs to provide health care to employees along with increases in other insurance coverage continues to rise. Sales tax revenue remain level with the previous year with no significant change. Like many rural counties, Lincoln County continues to struggle to maintain the level of services provided without increasing the burden to the property owners in the County.

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 little vehicle replacement and minimal building maintenance the County has had to make investments in replacement vehicles in the past year. The passing of the Special Purpose Local Option Sales tax referendum in 2016 will help to fund the badly needed repairs to the existing infrastructure. The Governing Board continues 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 utility services to the residents of Lincoln 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, 2016

	Primary Government		
ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 3,346,508	$ 389,207	$ 3,735,715
Investments	146,378	-	146,378
Taxes receivable	180,657	-	180,657
Accounts receivable, net of allowances	184,134	181,886	366,020
Due from other governments	351,380	-	351,380
Due from component unit	12,331	-	12,331
Due from primary government	-	-	-
Internal balances	102,460	(102,460)	-
Capital leases receivable	-	-	-
Inventories	33,574	-	33,574
Prepaid items	97,626	-	97,626
Restricted assets, cash	-	127,655	127,655
Assets held for resale	-	-	-
Noncurrent - prepaid items	-	17,898	17,898
Capital assets, non-depreciable	1,482,269	17,034	1,499,303
Capital assets, depreciable, net of accumulated depreciation	9,844,071	16,107,345	25,951,416
Total assets	15,781,388	16,738,565	32,519,953
DEFERRED OUTFLOWS OF RESOURCES			
Pension - Employees Retirement System	-	-	-
Pension - Association County Commissioners of Georgia	237,756	9,907	247,663
Total deferred outflows of resources	237,756	9,907	247,663
LIABILITIES			
Accounts payable	344,264	82,589	426,853
Accrued liabilities	253,584	35,079	288,663
Unearned revenues	52,175	344,150	396,325
Due to other governments	105,911	-	105,911
Due to primary government	-	-	-
Compensated absences due within one year	81,660	-	81,660
Compensated absences due in more than one year	47,585	9,607	57,192
Notes payable due within one year	21,294	80,751	102,045
Notes payable due in more than one year	20,974	1,277,634	1,298,608
Bonds payable due within one year	-	100,000	100,000
Bonds payable due in more than one year	-	3,022,261	3,022,261
Landfill due within one year	-	9,850	9,850
Landfill due in more than one year	-	68,950	68,950
Net pension liability - Employees Retirement System	-	-	-
Net pension liability - Association County Commissioners of Georgia	919,733	38,323	958,056
Total liabilities	1,847,180	5,069,194	6,916,374
DEFERRED INFLOWS OF RESOURCES			
Pension - Employees Retirement System	-	-	-
Total deferred inflows of resources	-	-	-
NET POSITION			
Net investment in capital assets	11,284,072	11,643,733	22,927,805
Restricted for:			
Judicial	8,368	-	8,368
Public Safety	136,970	-	136,970
Health and welfare	22,181	-	22,181
Culture and recreation	148,817	-	148,817
Capital projects	683,947	-	683,947
Debt service	-	27,655	27,655
Unrestricted (deficit)	1,887,609	7,890	1,895,499
Total net position	$ 14,171,964	$ 11,679,278	$ 25,851,242

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

Component Units		
Lincoln County Health Department	Development Authority of Lincoln County	Recreation Authority
$ 112,550	$ 477,814	$ 4,042
-	-	-
-	4,291	-
22,451	17,877	-
-	-	-
-	-	-
-	9,192	-
-	-	-
-	2,028,474	-
-	-	-
-	-	-
-	-	-
-	96,886	-
-	-	-
-	193,731	-
-	1,066,444	-
135,001	3,894,709	4,042
24,262	-	-
-	-	-
24,262	-	-
3,863	14,996	-
-	3,371	-
-	10,480	-
8,664	-	-
-	7,701	-
-	-	-
5,664	-	-
-	206,160	-
-	643,421	-
-	-	-
-	-	-
-	-	-
-	-	-
92,291	-	-
-	-	-
110,482	886,129	-
38,920	-	-
38,920	-	-
-	410,594	-
-	-	-
-	-	-
73,119	-	-
-	-	4,042
-	-	-
-	-	-
(63,258)	2,597,986	-
$ 9,861	$ 3,008,580	$ 4,042

LINCOLN COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	$ 2,312,685	$ 265,136	$ 191,789	$ -
Judicial	374,970	154,387	7,563	-
Public safety	2,321,235	900,714	42,468	-
Public works	1,799,541	5,551	360,072	-
Health and welfare	2,019,402	4,031	1,901,486	-
Culture and recreation	334,061	30,049	-	-
Housing and development	250,716	44,662	160,679	-
Total governmental activities	9,412,610	1,404,530	2,664,057	-
Business-type activities:				
Water	1,302,532	875,036	-	-
Solid waste	654,789	672,044	-	-
Campgrounds and parks	84,315	74,394	-	-
Total business-type activities	2,041,636	1,621,474	-	-
Total primary government	$ 11,454,246	$ 3,026,004	$ 2,664,057	$ -
Component units:				
Lincoln County Health Department	$ 196,825	$ 73,120	$ 168,663	$ -
Development Authority of Lincoln County	255,468	17,523	106,300	-
Recreation Authority	-	-	-	-
Total component units	$ 452,293	$ 90,643	$ 274,963	$ -
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Transfers				
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
$ (1,855,760)	$ -	$ (1,855,760)	$ -	$ -	$ -
(213,020)	-	(213,020)	-	-	-
(1,378,053)	-	(1,378,053)	-	-	-
(1,433,918)	-	(1,433,918)	-	-	-
(113,885)	-	(113,885)	-	-	-
(304,012)	-	(304,012)	-	-	-
(45,375)	-	(45,375)	-	-	-
(5,344,023)	-	(5,344,023)	-	-	-
-	(427,496)	(427,496)	-	-	-
-	17,255	17,255	-	-	-
-	(9,921)	(9,921)	-	-	-
-	(420,162)	(420,162)	-	-	-
(5,344,023)	(420,162)	(5,764,185)	-	-	-
-	-	-	44,958	-	-
-	-	-	-	(131,645)	-
-	-	-	-	-	-
-	-	-	44,958	(131,645)	-
3,009,300	-	3,009,300	-	243,783	-
1,740,049	-	1,740,049	-	-	-
475,153	-	475,153	-	-	-
3,537	845	4,382	159	715	1
(67,005)	67,005	-	-	-	-
5,161,034	67,850	5,228,884	159	244,498	1
(182,989)	(352,312)	(535,301)	45,117	112,853	1
14,354,953	12,031,590	26,386,543	(35,256)	2,895,727	4,041
$ 14,171,964	$ 11,679,278	$ 25,851,242	$ 9,861	$ 3,008,580	$ 4,042

LINCOLN COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	SPLOST Fund	Workforce Development Grant Fund	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 2,262,484	$ 451,736	$ 125,571	$ 506,717	$ 3,346,508
Investments	146,378	-	-	-	146,378
Taxes receivable	116,984	59,662	-	4,011	180,657
Accounts receivable, net of allowances	151,679	-	-	32,455	184,134
Due from other governments	136,013	-	4,624	210,743	351,380
Due from component unit	12,331	-	-	-	12,331
Due from other funds	336,957	117,500	-	307	454,764
Prepaid items	97,626	-	-	-	97,626
Inventories	33,574	-	-	-	33,574
Total assets	$ 3,294,026	$ 628,898	$ 130,195	$ 754,233	$ 4,807,352
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 89,692	$ 244,104	-	$ 10,468	$ 344,264
Accrued liabilities	186,310	-	66,371	903	253,584
Unearned revenues	52,175	-	-	-	52,175
Due to other governments	-	98,127	-	7,784	105,911
Due to other funds	120,640	10,942	63,824	156,898	352,304
Total liabilities	448,817	353,173	130,195	176,053	1,108,238
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	$ 91,605	$ -	$ -	$ -	$ 91,605
Total deferred inflows of resources	91,605	-	-	-	91,605
FUND BALANCES					
Fund balances:					
Nonspendable:					
Prepaid items	$ 97,626	$ -	-	$ -	$ 97,626
Inventory	33,574	-	-	-	33,574
Restricted for:					
Public library	146,378	-	-	-	146,378
Tourism	-	-	-	2,439	2,439
E-911	-	-	-	109,049	109,049
Drug education	-	-	-	18,426	18,426
Public safety	-	-	-	9,495	9,495
Health and welfare	-	-	-	22,181	22,181
Law library	-	-	-	8,368	8,368
Capital projects	-	275,725	-	408,222	683,947
Assigned:					
Subsequent year's budget	555,002	-	-	-	555,002
Unassigned	1,921,024	-	-	-	1,921,024
Total fund balances	2,753,604	275,725	-	578,180	3,607,509
Total liabilities, deferred inflows of resources and fund balances	$ 3,294,026	$ 628,898	$ 130,195	$ 754,233	

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.	11,326,340
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	91,605
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(171,513)
Net pension liability and related deferred outflows used in governmental activities is not a financial resource and, therefore, is not reported in the funds.	(681,977)
Net position of governmental activities	$ 14,171,964

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, 2016

	General Fund	SPLOST Fund	Workforce Development Grant Fund	Nonmajor Governmental Funds	Total
Revenues					
Taxes	$ 3,978,092	$ 647,295	$ -	$ 600,059	$ 5,225,446
Licenses and permits	55,795	-	-	-	55,795
Intergovernmental	712,031	-	1,571,435	249,759	2,533,225
Charges for services	964,308	-	-	145,764	1,110,072
Fines and forfeitures	106,588	-	-	18,599	125,187
Investment income	3,196	-	-	341	3,537
Rental income	89,435	-	-	-	89,435
Miscellaneous	154,873	-	-	-	154,873
Total revenues	6,064,318	647,295	1,571,435	1,014,522	9,297,570
Expenditures					
Current:					
General government	2,095,013	-	-	-	2,095,013
Judicial	371,627	-	-	3,343	374,970
Public safety	2,294,257	-	-	220,120	2,514,377
Public works	681,925	-	-	-	681,925
Health and welfare	216,909	-	1,571,435	231,058	2,019,402
Culture and recreation	252,615	-	-	-	252,615
Housing and development	210,019	-	-	25,563	235,582
Intergovernmental	-	102,538	-	-	102,538
Capital outlay	-	912,582	-	473,903	1,386,485
Debt service:					
Principal	-	-	-	21,294	21,294
Total expenditures	6,122,365	1,015,120	1,571,435	975,281	9,684,201
Net change in fund balances	(58,047)	(367,825)	-	39,241	(386,631)
Fund balances, beginning of year	2,811,651	643,550	-	538,939	3,994,140
Fund balances, end of year	$ 2,753,604	$ 275,725	$ -	$ 578,180	$ 3,607,509

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, 2016

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

Net change in fund balances - total governmental funds	$	(386,631)
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 capital outlay exceeded depreciation in the current period.		277,470
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(944)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, it has no effect on net position.		21,294
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.		(94,178)
	$	(182,989)

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 3,579,691	$ 3,579,691	$ 3,010,244	$ (569,447)
Sales taxes	500,000	500,000	517,086	17,086
Other taxes	404,400	404,400	450,762	46,362
Licenses and permits	31,500	31,500	55,795	24,295
Intergovernmental	725,781	725,781	712,031	(13,750)
Charges for services	946,805	946,805	964,308	17,503
Fines and forfeitures	80,750	80,750	106,588	25,838
Investment income	2,000	2,000	3,196	1,196
Rental income	77,030	77,030	89,435	12,405
Miscellaneous	183,357	183,357	154,873	(28,484)
Total revenues	6,531,314	6,531,314	6,064,318	(466,996)
Expenditures:				
Current:				
General government:				
Board of county commissioners	146,564	132,564	128,999	3,565
Elections	84,446	94,396	93,707	689
General administration	1,748,644	1,857,144	1,284,281	572,863
Finance office	113,839	119,939	119,475	464
County attorney	40,624	43,629	42,550	1,079
Tax commissioner	180,177	180,177	178,373	1,804
Tax assessor	190,871	190,871	185,130	5,741
Information technology	55,626	55,626	54,391	1,235
Board of equalization	7,300	8,600	8,107	493
Total general government	2,568,091	2,682,946	2,095,013	587,933
Judicial:				
Clerk of superior court	194,977	199,531	192,273	7,258
District attorney	16,600	15,439	15,439	-
Probate court	162,226	163,226	160,958	2,268
Juvenile court	4,100	2,957	2,957	-
Total judicial	377,903	381,153	371,627	9,526
Public safety:				
Sheriff	662,665	720,185	700,034	20,151
Jail	621,878	662,990	639,517	23,473
Communications	216,978	231,478	233,506	(2,028)
Fire	9,746	9,746	6,373	3,373
Office of emergency services	687,934	723,434	704,632	18,802
Coroner	11,747	10,847	10,195	652
Total public safety	2,210,948	2,358,680	2,294,257	64,423
Public works:				
Shop	92,707	72,442	70,688	1,754
Roads	683,663	624,663	611,237	13,426
Total public works	776,370	697,105	681,925	15,180

(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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (continued):				
Health and welfare:				
Health department	$ 38,800	$ 38,800	$ 38,800	$ -
Georgia forestry	8,201	7,001	6,834	167
DFACS	6,400	5,333	4,328	1,005
Senior citizens	78,447	84,292	84,339	(47)
Lincoln center	16,204	13,544	12,283	1,261
Transit	81,952	81,952	70,325	11,627
Total health and welfare	230,004	230,922	216,909	14,013
Culture and recreation:				
Art and recreation	125,354	129,840	135,966	(6,126)
Library	151,078	147,078	116,649	30,429
Total culture and recreation	276,432	276,918	252,615	24,303
Housing and development:				
Cooperative extension service	51,199	51,199	47,271	3,928
Planning and permits	49,225	43,825	41,987	1,838
Code enforcement	50,441	51,026	49,715	1,311
Economic development	98,812	98,812	71,046	27,766
Total housing and development	249,677	244,862	210,019	34,843
Total expenditures	6,689,425	6,872,586	6,122,365	750,221
Excess (deficiency) of revenues over (under) expenditures	(158,111)	(341,272)	(58,047)	283,225
Other financing sources:				
Transfers in	158,111	341,272	-	(341,272)
Total other financing sources	158,111	341,272	-	(341,272)
Net change in fund balance	-	-	(58,047)	(58,047)
Fund balance, beginning of year	2,811,651	2,811,651	2,811,651	-
Fund balance, end of year	$ 2,811,651	$ 2,811,651	$ 2,753,604	$ (58,047)

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

LINCOLN COUNTY, GEORGIA

WORKFORCE DEVELOPMENT GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	1,665,000	1,706,770	1,571,435	(135,335)
Total revenues	1,665,000	1,706,770	1,571,435	(135,335)
Expenditures:				
Personnel services	209,163	210,048	212,061	(2,013)
Contract services	1,455,837	1,496,722	1,359,374	137,348
Total expenditures	1,665,000	1,706,770	1,571,435	135,335
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

ASSETS	Major Enterprise Funds: Water Fund	Major Enterprise Funds: Solid Waste Fund	Nonmajor Enterprise Fund	Totals
CURRENT ASSETS				
Cash	$ 59,761	$ 321,700	$ 7,746	$ 389,207
Accounts receivable, net of allowances	108,041	73,845	-	181,886
Due from other funds	-	-	3,140	3,140
Restricted assets, cash	127,655	-	-	127,655
Total current assets	295,457	395,545	10,886	701,888
NONCURRENT ASSETS				
Prepaid bond insurance	17,898	-	-	17,898
Capital assets:				
Capital assets, nondepreciable	17,034	-	-	17,034
Capital assets, depreciable, net of accumulated depreciation	16,065,663	41,682	-	16,107,345
Total noncurrent assets	16,100,595	41,682	-	16,142,277
Total assets	16,396,052	437,227	10,886	16,844,165
DEFERRED OUTFLOWS OF RESOURCES				
Pension	9,907	-	-	9,907
Total deferred outflows of resources	9,907	-	-	9,907
LIABILITIES				
CURRENT LIABILITIES				
Payable from current assets:				
Accounts payable	27,721	50,867	4,001	82,589
Accrued liabilities	34,156	407	516	35,079
Unearned revenues	-	339,015	5,135	344,150
Notes payable, current portion	80,751	-	-	80,751
Postclosure liability, current portion	-	9,850	-	9,850
Due to other funds	101,265	2,710	1,625	105,600
Total payable from current assets	243,893	402,849	11,277	658,019
Payable from restricted assets:				
Revenue bonds payable, current portion	100,000	-	-	100,000
Total payable from restricted assets	100,000	-	-	100,000
Total current liabilities	343,893	402,849	11,277	758,019
NONCURRENT LIABILITIES				
Revenue bonds payable, net of current portion	3,022,261	-	-	3,022,261
Postclosure liability, net of current portion	-	68,950	-	68,950
Compensated absences	9,607	-	-	9,607
Notes payable, net of current portion	1,277,634	-	-	1,277,634
Net pension liability	38,323	-	-	38,323
Total noncurrent liabilities	4,347,825	68,950	-	4,416,775
Total liabilities	4,691,718	471,799	11,277	5,174,794
NET POSITION				
Net investment in capital assets	11,602,051	41,682	-	11,643,733
Restricted for:				
Debt service	27,655	-	-	27,655
Unrestricted	84,535	(76,254)	(391)	7,890
Total net position	$ 11,714,241	$ (34,572)	$ (391)	$ 11,679,278

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, 2016

	Major Enterprise Funds			
	Water Fund	Solid Waste Fund	Nonmajor Enterprise Fund	Totals
Operating revenues:				
Charges for services	$ 872,570	$ 672,044	$ 74,394	$ 1,619,008
Miscellaneous income	2,466	-	-	2,466
Total operating revenues	875,036	672,044	74,394	1,621,474
Operating expenses:				
Purchases	133,432	-	-	133,432
Salaries and benefits	171,184	17,162	19,390	207,736
Materials and supplies	44,562	308	9,394	54,264
Repairs and maintenance	54,050	928	6,705	61,683
Professional and contract services	66,278	628,725	25,039	720,042
Utilities	58,922	1,801	23,038	83,761
Other operating expenses	31,671	1,477	749	33,897
Depreciation	427,749	4,388	-	432,137
Total operating expenses	987,848	654,789	84,315	1,726,952
Operating income (loss)	(112,812)	17,255	(9,921)	(105,478)
Non-operating revenues (expenses):				
Bond issuance expense	(183,144)	-	-	(183,144)
Investment income	429	416	-	845
Interest expense	(131,540)	-	-	(131,540)
Total non-operating revenues (expenses)	(314,255)	416	-	(313,839)
Income (loss) before capital contributions	(427,067)	17,671	(9,921)	(419,317)
Capital contributions	67,005	-	-	67,005
Change in net position	(360,062)	17,671	(9,921)	(352,312)
Net position, beginning of year	12,074,303	(52,243)	9,530	12,031,590
Net position, end of year	$ 11,714,241	$ (34,572)	$ (391)	$ 11,679,278

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, 2016

	Major Enterprise Funds			
	Water Fund	Solid Waste Fund	Nonmajor Enterprise Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 846,815	$ 684,274	$ 74,342	$ 1,605,431
Payments to suppliers and service providers	(407,820)	(651,410)	(72,620)	(1,131,850)
Payments to employees	(161,630)	(17,162)	(19,390)	(198,182)
Net cash provided by (used in) operating activities	277,365	15,702	(17,668)	275,399
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of revenue bonds	3,221,825	-	-	3,221,825
Principal paid on bonds	(3,077,006)	-	-	(3,077,006)
Principal paid on notes payable	(142,731)	-	-	(142,731)
Payments of bond issuance cost	(201,042)	-	-	(201,042)
Interest paid	(111,602)	-	-	(111,602)
Net cash used in capital and related financing activities	(310,556)	-	-	(310,556)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	429	416	-	845
Net cash provided by investing activities	429	416	-	845
Net increase (decrease) in cash and and cash equivalents	(32,762)	16,118	(17,668)	(34,312)
Cash and cash equivalents:				
Beginning of year	220,178	305,582	25,414	551,174
End of year	$ 187,416	$ 321,700	$ 7,746	$ 516,862
Classified as:				
Cash and cash equivalents	$ 59,761	$ 321,700	$ 7,746	$ 389,207
Restricted assets, cash and cash equivalents	127,655	-	-	127,655
	$ 187,416	$ 321,700	$ 7,746	$ 516,862

(Continued)

LINCOLN COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Major Enterprise Funds		Nonmajor Enterprise Fund	Totals
	Water Fund	Solid Waste Fund		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (112,812)	$ 17,255	$ (9,921)	$ (105,478)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	427,749	4,388	-	432,137
(Increase) decrease in accounts receivable	(4,912)	7,318	-	2,406
Increase in due from other funds	-	-	(3,140)	(3,140)
Decrease in prepaid expenses	1,168	-	-	1,168
Increase in deferred outflows of resources	(9,213)	-	-	(9,213)
Increase (decrease) in accounts payable	1,296	(1,023)	(1,437)	(1,164)
Increase in accrued liabilities	1,519	25	16	1,560
Increase (decrease) in unearned revenues	(23,309)	4,912	(52)	(18,449)
Increase in compensated absences	5,055	-	-	5,055
Decrease in postclosure liability	-	(9,850)	-	(9,850)
Increase in net pension liability	11,025	-	-	11,025
Decrease in due to other funds	(20,201)	(7,323)	(3,134)	(30,658)
Net cash provided by (used in) operating activities	$ 277,365	$ 15,702	$ (17,668)	$ 275,399
Noncash investing, capital, and financing activities:				
Capital assets transferred from other funds	$ 67,005	$ -	$ -	$ 67,005
Total noncash investing, capital and financing activities	$ 67,005	$ -	$ -	$ 67,005

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

LINCOLN COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Funds
ASSETS	
Cash	$ 516,929
Taxes receivable	265,230
Total assets	$ 782,159
LIABILITIES	
Due to component unit	$ 5,275
Due to others	511,654
Uncollected property taxes	265,230
Total liabilities	$ 782,159

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.

The ***Workforce Development Grant Fund*** is used to account for intergovernmental funds received from the State and Federal governments for the Workforce Investment Act grant.

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 ***Enterprise Fund*** is used to account for the operation and activities of the campgrounds and parks located within the County.

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 *non-operating* 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 non-operating 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, 2016.

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. No capitalized interest was recorded during the year ended June 30, 2016.

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

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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has three (3) items related to the recording of changes in its pension liability that qualify for reporting in this category. The difference between projected investment return on pension investments and actual return on those investments is deferred and amortized against pension expense over a five year period. Experience losses result from periodic studies by the County's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expecting remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members.

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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows / Inflows of Resources (Continued)

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.

M. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Lincoln County Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (Continued)

Fund Balance (Continued)

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

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

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

- Committed
- Assigned
- Unassigned

Net 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.

O. Use of Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of this $171,513 difference are as follows:

Compensated absences	$	(129,245)
Notes payable		(42,268)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(171,513)

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position – 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 $277,470 difference are as follows:

Capital outlay	$	953,449
Depreciation expense		(675,979)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position - governmental activities*	$	277,470

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

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

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $94,178 difference are as follows:

Compensated absences	$	(50,681)
Net pension liability		(43,497)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(94,178)

NOTE 3. LEGAL COMPLIANCE – BUDGETS

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

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

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

The supplementary budgetary appropriations made were not material.

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

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

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

Deficit Net Position. The Solid Waste Fund had a deficit net position balance of $34,572 at June 30, 2016. The County plans to eliminate the deficit balances through future operations and transfers from the General Fund.

Excess Expenditures over Appropriations. For the year ended June 30, 2016, expenditures exceeded budget in the General Fund, as follows:

Department	Excess
General Fund:	
Communications	$ 2,028
Senior citizens	47
Art and recreation	6,126
Workforce Development Grant Fund:	
Personnel services	2,013

These over-expenditures were funded by under-expenditures in other departments of the General Fund.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2016, are summarized as follows:

As reported in the Statement of Net Position:	
Primary government:	
Cash and cash equivalents	$ 3,735,715
Restricted cash and cash equivalents	127,655
Investments	146,378
	4,009,748
As reported in the Statement of Fiduciary Assets and Liabilities:	
Agency funds:	
Cash and cash equivalents	516,929
Cash deposited with financial institutions	$ 4,526,677

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2016, 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.

As of June 30, 2016, the County had the following investments:

Investment Type	Fair Value	Investment Maturities Less than 1 year
Certificates of deposit	$ 146,378	$ 146,378

Fair Value Measurements. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The County's investments in certificates of deposit are not subject to the fair value level disclosures. As a result, the County does not disclose its investments in certificates of deposit within the fair value hierarchy.

NOTE 5. RECEIVABLES

Receivables at June 30, 2016, for the County's individual major and nonmajor funds consist of the following:

	General	SPLOST Fund	Workforce Development Grant Fund	Water Fund	Solid Waste Fund	Nonmajor Governmental Funds	Total
Receivables:							
Taxes	$ 139,341	$ 59,662	$ -	$ -	$ -	$ 4,011	$ 203,014
Accounts	509,450	-	-	177,360	101,322	32,455	820,587
Intergovernmental	136,013	-	4,624	-	-	210,743	351,380
Gross receivables	784,804	59,662	4,624	177,360	101,322	247,209	1,374,981
Less allowance	(380,128)	-	-	(69,319)	(27,477)	-	(476,924)
Net receivables	$ 404,676	$ 59,662	$ 4,624	$ 108,041	$ 73,845	$ 247,209	$ 898,057

Property taxes were levied on September 11, 2015. Bills are payable on or before December 18, 2015, after which the applicable property is subject to lien and penalties and interest is assessed. The County bills and collects its own property taxes. Property taxes levied for 2015 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended June 30, 2016, and collected by August 31, 2016, are recognized as revenues in the year ended June 30, 2016. Net receivables estimated to be collected subsequent to August 31, 2016 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 January 1, 2016.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 578,825	$ -	$ -	$ -	$ 578,825
CIP	246,125	657,319	-	-	903,444
Total	824,950	657,319	-	-	1,482,269
Capital assets, being depreciated:					
Land improvements	126,770	-	-	-	126,770
Infrastructure	22,615,059	-	-	-	22,615,059
Buildings	4,103,031	-	-	-	4,103,031
Vehicles	1,331,528	178,598	-	-	1,510,126
Furniture, fixtures and equipment	1,004,249	184,537	-	(67,005)	1,121,781
Total	29,180,637	363,135	-	(67,005)	29,476,767
Less accumulated depreciation for:					
Land improvements	20,599	3,169	-	-	23,768
Infrastructure	14,255,215	453,799	-	-	14,709,014
Buildings	2,781,336	94,966	-	-	2,876,302
Vehicles	1,101,412	57,911	-	-	1,159,323
Furniture, fixtures and equipment	798,155	66,134	-	-	864,289
Total	18,956,717	675,979	-	-	19,632,696
Total capital assets, being depreciated, net	10,223,920	(312,844)	-	(67,005)	9,844,071
Governmental activities capital assets, net	$ 11,048,870	$ 344,475	$ -	$ (67,005)	$ 11,326,340

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
Total	17,034	-	-	-	17,034
Capital assets, being depreciated:					
Water system and lines	21,052,391	-	-	-	21,052,391
Land improvements	87,753	-	-	-	87,753
Vehicles	51,169	-	-	-	51,169
Furniture and equipment	119,777	-	-	67,005	186,782
Total	21,311,090	-	-	67,005	21,378,095
Less accumulated depreciation for:					
Water system and lines	4,625,983	421,048	-	-	5,047,031
Land improvements	41,683	4,388	-	-	46,071
Vehicles	51,169	-	-	-	51,169
Furniture and equipment	119,778	6,701	-	-	126,479
Total	4,838,613	432,137	-	-	5,270,750
Total capital assets, being depreciated, net	16,472,477	(432,137)	-	67,005	16,107,345
Business-type activities capital assets, net	$ 16,489,511	$ (432,137)	$ -	$ 67,005	$ 16,124,379

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

Governmental activities:	
General government	$ 6,261
Public safety	77,164
Public works	502,974
Culture and recreation	77,399
Housing and development	12,181
Total depreciation expense - governmental activites	$ 675,979
Business-type activities:	
Water	$ 427,749
Solid waste	4,388
Total depreciation expense - business-type activities	$ 432,137

NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the Development Authority for the fiscal year ended June 30, 2016, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 24,877	$ 168,854	$ -	$ -	$ 193,731
Total	24,877	168,854	-	-	193,731
Capital assets, being depreciated:					
Buildings	1,053,022	-	-	-	1,053,022
Land improvements	720,067	-	-	-	720,067
Furniture, fixtures and equipment	34,201	-	-	-	34,201
Total	1,807,290	-	-	-	1,807,290
Less accumulated depreciation for:					
Buildings	480,702	28,371	-	-	509,073
Land improvements	173,084	25,068	-	-	198,152
Furniture, fixtures and equipment	31,545	2,076	-	-	33,621
Total	685,331	55,515	-	-	740,846
Total capital assets, being depreciated, net	1,121,959	(55,515)	-	-	1,066,444
Capital assets, net	$ 1,146,836	$ 113,339	$ -	$ -	$ 1,260,175

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	$ 63,562	$ -	$ 21,294	$ 42,268	$ 21,294
Compensated absences	78,564	132,344	81,663	129,245	81,660
Net pension liability	655,140	521,383	256,790	919,733	-
Totals	$ 797,266	$ 653,727	$ 359,747	$ 1,091,246	$ 102,954

NOTE 7. LONG-TERM DEBT (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 2,977,006	$ 3,235,000	$ 3,077,006	$ 3,135,000	$ 100,000
Unamortized discount	-	(13,175)	436	(12,739)	-
Total revenue bonds	2,977,006	3,221,825	3,077,442	3,122,261	100,000
Notes payable	1,501,116	-	142,731	1,358,385	80,751
Landfill postclosure	88,650	-	9,850	78,800	9,850
Compensated absences	4,552	7,410	2,355	9,607	-
Net pension liability	27,298	21,725	10,700	38,323	-
Totals	$ 4,598,622	$ 3,250,960	$ 3,243,078	$ 4,607,376	$ 190,601
Development Authority:					
Notes payable	$ 1,046,674	$ -	$ 197,093	$ 849,581	$ 206,160
Totals	$ 1,046,674	$ -	$ 197,093	$ 849,581	$ 206,160
Lincoln County Health Department:					
Compensated absences	$ 4,705	$ 3,224	$ 2,265	$ 5,664	$ -
Net pension liability	127,671	9,409	44,789	92,291	-
	$ 132,376	$ 12,633	$ 47,054	$ 97,955	$ -

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, 2016, are as follows:

Series 2015 $3,235,000 Water and Sewerage System Revenue Refunding Bonds, interest due in semiannual installments on April 1st and October 1st at 2.0% - 3.250% and principal due annually on April 1st. Final payment is due April 1, 2035.	$ 3,135,000
Less: Unamortized discount	(12,739)
	$ 3,122,261

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

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

Year ending June 30,	Principal	Interest
2017	$ 100,000	$ 89,650
2018	105,000	87,650
2019	105,000	85,550
2020	110,000	82,400
2021	110,000	79,100
2022-2026	595,000	353,937
2027-2031	990,000	261,538
2032-2035	1,020,000	83,706
	$ 3,135,000	$ 1,123,531

During the fiscal year ended June 30, 2016, The County issued $3,235,000 of Series 2015 Water and Sewerage System Revenue Refunding Bonds. The proceeds from the sale of these bonds were used to prepay the County's Georgia Environmental Finance Authority (GEFA) Loan 98-L41WS, dated September 1, 1999, outstanding at the time of issuance; refund the Lincoln County, Georgia Water System Revenue Bonds, Series 1993, dated April 14, 1994, outstanding at the time of issuance; refund the Lincoln County, Georgia Water System Revenue Bonds, Series 1995, dated January 23, 1996, outstanding at the time of issuance; refund the Lincoln County, Georgia Water System Revenue Bonds, Series 2004, dated July 23, 2004, outstanding at the time of issuance; refund the Lincoln County, Georgia Water System Revenue Bonds, Series 2011, dated September 22, 2012, outstanding at the time of issuance; and to pay all expenses incurred in connection with the issuance of the Series 2015 bonds. The issuance of the Series 2015 bonds resulted in an advance refunding transaction which decreased the total debt service payments over the life of the Series 2015 bonds by approximately $1.3 million and produced an economic gain of approximately $450,000. The Series 2015 bonds are payable in semi-annually interest only payments of 2.0% to 3.25% beginning on April 1, 2016, and principal payable annually beginning April 1, 2016, ranging from $100,000 to $265,000 through April 1, 2035.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes Payable

During the year ended June 30, 2014, the County entered into a note payable agreement with a local financial institution in the amount of $84,856. The proceeds of this note were used to purchase equipment. The note is due in yearly installments of $21,294 with no interest. Final payment is due on September 17, 2018. The outstanding balance of the note at June 30, 2016, was $42,268.

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

Year ending June 30,	Principal	Interest
2017	$ 21,294	$ -
2018	20,974	-
	$ 42,268	$ -

During the year ended June 30, 2014, the County entered into a note payable agreement with U.S. Department of Agriculture Rural Development in the amount of $470,000. The proceeds of the note were used to finance various water and sewer system projects. The note is due in yearly installments with varying interest rates between 2.0% and 2.125%. Final payment is due on March 24, 2054. The outstanding balance of the notes at June 30, 2016, was $452,563.

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

Year ending June 30,	Principal	Interest
2017	$ 8,032	$ 9,200
2018	8,198	9,034
2019	8,368	8,864
2020	8,517	8,715
2021	8,717	8,515
2022-2026	46,342	39,818
2027-2031	51,338	34,822
2032-2036	56,860	29,300
2037-2041	63,011	23,149
2042-2046	69,807	16,353
2047-2051	77,337	8,823
2052-2054	46,036	1,353
	$ 452,563	$ 197,946

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

The Water Fund has also incurred debt to the Georgia Environmental Facilities Authority (GEFA) for various water and sewer system projects. These notes are as follows at June 30, 2016:

Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
1.50%	20 years	2028	$ 1,449,967	$ 905,822
				$ 905,822

Additionally, the County has a construction line of credit agreement with a financial institution to be used as needed for the construction of a sewer line. As of June 30, 2016, $0 had been drawn on the line of credit.

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

Year ending June 30,	Principal	Interest
2017	$ 72,719	$ 12,819
2018	74,092	11,716
2019	75,211	10,597
2020	76,346	9,461
2021	77,500	8,308
2022-2026	405,414	23,625
2027	124,540	1,014
	$ 905,822	$ 77,540

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 $16,290, including interest of 4.14%. Final payment is due on January 10, 2019. The outstanding balance of the note at June 30, 2016, was $478,289. During the year ended June 30, 2014, 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 April 18, 2028. The outstanding balance of the note at June 30, 2016, was $371,292.

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
2017	$ 206,160	$ 30,347
2018	214,621	18,886
2019	141,318	9,182
2020	29,748	8,279
2021	30,651	9,182
2022-2026	160,767	24,874
2027-2028	66,316	2,597
	$ 849,581	$ 103,347

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, 2016, the County has 10 years of monitoring remaining. The liability for the landfill postclosure care costs is estimated to be $78,800 as of June 30, 2016. These estimated costs are based on what it would cost to perform all postclosure care in 2016. 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 AND PAYABLES

The composition of interfund balances as of June 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	$ 101,265
General Fund	Solid Waste Fund	2,710
General Fund	SPLOST	10,635
General Fund	Workforce Development Grant Fund	63,824
General Fund	Nonmajor Governmental Funds	156,898
General Fund	Nonmajor Enterprise Fund	1,625
Nonmajor Governmental Funds	SPLOST	307
Nonmajor Enterprise Fund	General Fund	3,140
SPLOST	General Fund	117,500
		$ 457,904

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, 2016, the County paid $6,430 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, as authorized by the County Commission, has established a non-contributory defined benefit pension plan, The Lincoln County Defined Benefit Plan (the Plan), covering substantially all of the County's employees. The County's pension plan is administered through the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (the ACCG Plan), an agent multiple-employer pension plan administered by GEBCorp and affiliated with the Association of County Commissioners of Georgia (ACCG). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Plan benefits are provided for Plan participants who were participants in the Plan before January 1, 2004, whereby retirees receive between 1% and 1.75% multiplied by the average of the highest five consecutive years of earnings multiplied by the total credited years of service. Plan benefits are provided for Plan participants who were participants in the Plan on or after January 1, 2004, whereby retirees receive 1% multiplied by the average of the highest five consecutive years of earnings multiplied by the total credited years of service. The ACCG, in its role as the Plan sponsor, has the sole authority to establish and amend the benefit provisions and the contribution rates of the County related to the 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. The County Commission retains this authority. The ACCG Plan issues a publicly available financial report that includes financial statements and required supplementary information for the pension trust. That report may be obtained at www.gebcorp.com or by writing to Association County Commissioners of Georgia, Retirement Services, 191 Peachtree Street, NE, Atlanta, Georgia 30303 or by calling (800) 736-7166.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

Plan Membership. As of January 1, 2015, the date of the most recent actuarial valuation date, pension plan membership consisted of the following:

Retirees, Beneficiaries and Disabled receiving benefits	18
Terminated plan participants entitled to but not yet receiving benefits	58
Active employees participating in the Plan	58
Total numer of Plan participants	134

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of the ACCG Plan has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the County Commission, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. No contributions are made by plan participants. For the year ended June 30, 2016, the County's contribution rate was 14.1% of annual payroll. County contributions to the Plan were $240,241 for the year ended June 30, 2016.

Net Pension Liability of the County

The County's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of December 31, 2015.

Actuarial Assumptions. The total pension liability in the January 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.0% - 5.5%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the County (Continued)

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table.

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for December 31, 2013.

The long-term expected rate of return on pension plan investments was determined through a blend of using a building-block method based on 20-year benchmarks (25%) and 30-year benchmarks (25%), as well as forward-looking capital market assumptions for a moderate asset allocation (50%), as determined by UBS. Expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30%	6.78%
Large Cap equity	30%	9.77
International equity	15%	7.48
Other equity	20%	9.23
Real estate	5%	10.63
Total	100%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that County contributions will be made based on the average County contribution made to the Plan over the prior five years. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability of the County

The changes in the components of the net pension liability of the County for the year ended June 30, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 3,440,806	$ 2,758,368	$ 682,438
Changes for the year:			
Service cost	116,094	-	116,094
Interest	258,060	-	258,060
Differences between expected and actual experience	13,770	-	13,770
Assumption changes	105,312	-	105,312
Contributions-employer	-	240,241	(240,241)
Net investment income	-	23,152	(23,152)
Benefit payments, including refunds of employee conributions	(113,326)	(109,230)	(4,096)
Administrative expenses	-	(11,882)	11,882
Other changes	-	(37,989)	37,989
Net Changes	379,910	104,292	275,618
Balances at June 30, 2016	$ 3,820,716	$ 2,862,660	$ 958,056

The required schedule of changes in the County's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.5 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' share of net pension liability	$1,456,986	$958,056	$542,167

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability of the County (Continued)

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 December 31, 2015 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2016, the County recognized pension expense of $285,549. At June 30, 2016, the County reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,146	$ -
Changes of assumptions	77,598	-
Net difference between projected and actual earnings on pension plan investment	159,919	-
Total	$ 247,663	$ -

Deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 53,920
2018	53,920
2019	53,920
2020	53,920
2021	31,983
Total	$ 247,663

NOTE 11. DEFINED BENEFIT PENSION PLAN – HEALTH DEPARTMENT

Employees Retirement System (ERS)

Plan Description

ERS is a cost-sharing multiple-employee defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits Provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employee's Pension and Savings Plan (GSEPS). Employees under the Old Plan started membership prior to July 1, 1982, and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982, but prior to January 1, 2009, are New Plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009, also have the option to irrevocably change their membership to GSEPS.

Under the Old Plan, the New Plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of I0 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to member's benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

NOTE 11. DEFINED BENEFIT PENSION PLAN – HEALTH DEPARTMENT (CONTINUED)

Contributions

Member contributions under the Old Plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the member's accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation.

The Health Department's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.71% of annual covered payroll for the Old and New Plan members and 18.87% for GSEPS members. The Health Department's contributions to ERS totaled $20,713 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Health Department reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll forward techniques. The Health Department's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2015. At June 30, 2015, the Employer's proportion was 0.002278%, which was a decrease of 0.001126% from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the Health Department recognized pension expense of $9,409. At June 30, 2016, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 737
Net difference between projected and actual earnings on pension plan investment	-	6,659
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,549	31,524
Employer contributions subsequent to measurement date	20,713	-
Total	$ 24,262	$ 38,920

NOTE 11. DEFINED BENEFIT PENSION PLAN – HEALTH DEPARTMENT (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Health Department contributions subsequent to the measurement date of $20,713 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ (20,927)
2018	(13,722)
2019	(2,968)
2020	2,246
Total	$ (35,371)

Actuarial Assumptions

The total pension liability as of June 30, 2015, was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increase	5.45% - 9.25%, including inflation
Investment return	7.5%, net pension plan investment expense including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2004-June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 11. DEFINED BENEFIT PENSION PLAN – HEALTH DEPARTMENT (CONTINUED)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
Fixed income	30.00%	3.00%
Domestic large equities	39.70%	6.50%
Domestic mid equities	3.70%	10.00%
Domestic small equities	1.60%	13.00%
International developed market equities	18.90%	6.50%
International emerging market equities	6.10%	11.00%
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Health Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Health Department's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Health Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' share of net pension liability	$130,826	$92,291	$59,438

NOTE 11. DEFINED BENEFIT PENSION PLAN – HEALTH DEPARTMENT (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report which is publically available at www.ers.ga.gov/formspubs/fonnspubs.

NOTE 12. 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, 2016, neither the County, nor County employees made contributions to the Plan.

NOTE 13. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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.

NOTE 13. RISK MANAGEMENT (CONTINUED)

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 14. 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 15. 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, 2016, the County collected $24,391 of hotel/motel taxes. Management represents that 100% of the lodging tax received during the year ended June 30, 2016, was used for the promotion of tourism.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY AND RELATED RATIOS

	2016	2015
Total pension liability		
Service cost	$ 116,094	$ 113,794
Interest on total pension liability	258,060	238,565
Differences between expected and actual experience	13,770	-
Assumption changes	105,312	-
Benefit payments, including refunds of employee contributions	(113,326)	(92,421)
Net change in total pension liability	379,910	259,938
Total pension liability - beginning	3,440,806	3,180,868
Total pension liability - ending (a)	$ 3,820,716	$ 3,440,806
Plan fiduciary net position		
Contributions - employer	$ 240,241	$ 243,643
Net investment income	23,152	180,521
Benefit payments, including refunds of employee contributions	(109,230)	(89,081)
Administrative expenses	(11,882)	(11,371)
Other	(37,989)	(36,718)
Net change in plan fiduciary net position	104,292	286,994
Plan fiduciary net position - beginning	2,758,368	2,471,374
Plan fiduciary net position - ending (b)	$ 2,862,660	$ 2,758,368
County's net pension liability - ending (a) - (b)	$ 958,056	$ 682,438
Plan fiduciary net position as a percentage of the total pension liability	74.9%	80.2%
Covered-employee payroll	$ 1,725,201	$ 1,703,881
County's net pension liability as a percentage of covered-employee payroll	55.5%	40.1%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS

	2016	2015	2014
Actuarially determined contribution	$ 235,060	$ 233,483	$ 236,710
Contributions in relation to the actuarially determined contribution	240,241	243,643	242,391
Contribution deficiency (excess)	$ (5,181)	$ (10,160)	$ (5,681)
Covered-employee payroll	$ 1,725,201	$ 1,703,881	$ 1,595,505
Contributions as a percentage of covered-employee payroll	13.9%	14.3%	15.2%

Notes to the Schedule

Valuation Date	January 1, 2015
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Market value
Assumed Rate of Return on Investments	7.50%
Projected Salary Increases	3.5% - 5.5% (including 3.00% for inflation)
Cost-of-living Adjustment	3.00%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	None remaining

The schedule will present 10 years of information once it is accumulated.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH DEPARTMENT

	2016	2015
Health Department's proportion of the net pension liability	0.002278%	0.003404%
Health Department's proportionate share of the net pension liability	$ 92,291	$ 127,671
Health Department's covered-employee payroll	$ 83,834	$ 55,784
Health Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.09%	228.87%
Plan fiduciary net position as a percentage of the total pension liability	76.20%	77.99%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – HEALTH DEPARTMENT

	2016	2015	2014
Contractually required contribution	$ 20,713	$ 12,295	$ 14,151
Contributions in relation to the contractually required contribution	20,713	12,295	14,151
Contribution deficiency (excess)	$ -	$ -	$ -
Agency's covered-employee payroll	$ 83,834	$ 55,784	$ 83,682
Contributions as a percentage of covered-employee payroll	24.71%	22.04%	16.91%

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.

E-911 Fund – To account for the operations of the County's E-911 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 for 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, 2016

	Special Revenue			
	Hotel/Motel Tax Fund	E-911 Fund	Law Library Fund	Family Connection Fund
ASSETS				
Cash and cash equivalents	$ 7,212	$ 60,553	$ 8,368	$ 36,175
Taxes receivable	4,011	-	-	-
Accounts receivable	-	32,455	-	-
Due from other governments	-	16,041	-	148,665
Due from other funds	-	-	-	-
Total assets	$ 11,223	$ 109,049	$ 8,368	$ 184,840
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ 6,858
Accrued liabilities	-	-	-	903
Due to other governments	7,784	-	-	-
Due to other funds	1,000	-	-	154,898
Total liabilities	8,784	-	-	162,659
FUND BALANCES				
Restricted:				
Tourism	2,439	-	-	-
E-911	-	109,049	-	-
Drug education	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	22,181
Capital projects	-	-	-	-
Law library	-	-	8,368	-
Total fund balances	2,439	109,049	8,368	22,181
Total liabilities and fund balances	$ 11,223	$ 109,049	$ 8,368	$ 184,840

		Capital Projects	
Drug Education Fund	Jail Fund	T-SPLOST Fund	Totals
$ 18,119	$ 9,495	$ 366,795	$ 506,717
-	-	-	4,011
-	-	-	32,455
-	-	46,037	210,743
307	-	-	307
$ 18,426	$ 9,495	$ 412,832	$ 754,233
$ -	$ -	$ 3,610	$ 10,468
-	-	-	903
-	-	-	7,784
-	-	1,000	156,898
-	-	4,610	176,053
-	-	-	2,439
-	-	-	109,049
18,426	-	-	18,426
-	9,495	-	9,495
-	-	-	22,181
-	-	408,222	408,222
-	-	-	8,368
18,426	9,495	408,222	578,180
$ 18,426	$ 9,495	$ 412,832	$ 754,233

LINCOLN COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Special Revenue			
	Hotel/Motel Tax Fund	E-911 Fund	Law Library Fund	Family Connection Fund
Revenues:				
Taxes	$ 24,391	$ -	$ -	$ -
Intergovernmental	-	-	-	249,759
Charges for services	-	145,764	-	-
Fines and forfeitures	-	-	3,290	-
Investment income	1	-	-	-
Total revenues	24,392	145,764	3,290	249,759
Expenditures:				
Current:				
Judicial	-	-	3,343	-
Public safety	-	184,919	-	-
Health and welfare	-	-	-	231,058
Housing and development	25,563	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Total expenditures	25,563	184,919	3,343	231,058
Net change in fund balances	(1,171)	(39,155)	(53)	18,701
Fund balances, beginning of year	3,610	148,204	8,421	3,480
Fund balances, end of year	$ 2,439	$ 109,049	$ 8,368	$ 22,181

		Capital Projects	
Drug Education Fund	Jail Fund	T-SPLOST Fund	Totals
$ -	$ -	$ 575,668	$ 600,059
-	-	-	249,759
-	-	-	145,764
4,228	11,081	-	18,599
7	-	333	341
4,235	11,081	576,001	1,014,522
-	-	-	3,343
204	34,997	-	220,120
-	-	-	231,058
-	-	-	25,563
-	-	473,903	473,903
-	-	21,294	21,294
204	34,997	495,197	975,281
4,031	(23,916)	80,804	39,241
14,395	33,411	327,418	538,939
$ 18,426	$ 9,495	$ 408,222	$ 578,180

LINCOLN COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Roads, streets and bridges	$ 1,472,960	$ 1,472,960	$ 1,052,647	$ 326,911	$ 1,379,558
Office of Emergency Services building	800,000	800,000	243,411	465,613	709,024
Fire protection, rescue facilities and equipment	576,000	576,000	454,629	74,592	529,221
Recreation facilities	164,480	164,480	57,834	-	57,834
General government infrastructure	352,000	352,000	98,616	45,466	144,082
City of Lincolnton	634,560	634,560	480,585	102,538	583,123
Total	$ 4,000,000	$ 4,000,000	$ 2,387,722	$ 1,015,120	$ 3,402,842

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, 2016

ASSETS	Tax Commissioner	Clerk of Superior Court	Probate Court	Sheriff	Total
Cash	$ 273,219	$ 203,033	$ 14,376	$ 26,301	$ 516,929
Taxes receivable	265,230	-	-	-	265,230
Total assets	$ 538,449	$ 203,033	$ 14,376	$ 26,301	$ 782,159
LIABILITIES					
Due to component unit	$ 4,291	$ 984	$ -	$ -	$ 5,275
Due to others	268,928	202,049	14,376	26,301	511,654
Uncollected property taxes	265,230	-	-	-	265,230
Total liabilities	$ 538,449	$ 203,033	$ 14,376	$ 26,301	$ 782,159

LINCOLN COUNTY, GEORGIA

SINGLE AUDIT OF FEDERAL PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

LINCOLN COUNTY, GEORGIA

SINGLE AUDIT OF FEDERAL PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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LINCOLN COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2016

Grant Program	CFDA #	Grant I.D.	Expenditures	Passed Through to Subrecipients
U.S. Department of Labor				
Workforce Investment Act/Workforce Investment Opportunities Act Cluster				
Passed through Georgia Department of Economic Development				
Workforce Investment Opportunities Act Adult Program	17.258	11-13-14-07-013	$ 33,707	$ 33,707
Workforce Investment Opportunities Act Adult Program	17.258	11-14-14-07-013	38,858	38,858
Workforce Investment Opportunities Act Adult Program	17.258	11-14-15-07-013	450,546	450,546
Workforce Investment Opportunities Act Adult Program	17.258	11-15-15-07-013	1,836	1,836
Workforce Investment Opportunities Act Adult Program	17.258	14-14-15-07-013	7,744	7,744
Workforce Investment Opportunities Act Youth Activities Program	17.259	15-14-14-07-013	295,485	295,485
Workforce Investment Opportunities Act Youth Activities Program	17.259	15-15-15-07-013	292,563	292,563
Workforce Investment Opportunities Act Dislocated Worker Program	17.278	31-13-14-07-013	5,487	5,487
Workforce Investment Opportunities Act Dislocated Worker Program	17.278	31-14-14-07-013	13,529	13,529
Workforce Investment Opportunities Act Dislocated Worker Program	17.278	31-14-15-07-013	418,587	418,587
Workforce Investment Opportunities Act Dislocated Worker Program	17.278	31-15-15-07-013	1,819	1,819
Workforce Investment Opportunities Act Rapid Response Program	17.278	44-14-14-07-013	7,964	7,964
Workforce Investment Opportunities Act Rapid Response Program	17.278	44-14-15-07-013	3,310	3,310
Total U.S. Department of Labor			1,571,435	1,571,435
U.S. Department of Transportation				
Passed through Georgia Department of Transportation				
Rural Area Program	20.509	GA-18-X033	27,503	-
Passed through Central Savannah River Area Regional Commission				
Rural Area Program	20.509	2086-00-25 8202.0545	9,800	-
Total U.S. Department of Transportation			37,303	-
U.S. Department of Health and Human Services				
TANF Cluster				
Passed through Georgia Department of Human Resources				
After-School Care Program	93.558	42700-040-0000044280	137,751	-
After-School Care Program	93.558	42700-040-0000022494	14,355	-
			152,106	-
Aging Cluster				
Passed through Georgia Department of Behavioral Health and Developmental Disabilities				
Special Program for the Aging - Title III, Part C, Nutrition Services	93.045	PSA08-FY14-1810	32,159	-
Special Program for the Aging - Title III, Part C, Nutrition Services	93.045	Not assigned	6,796	-
			38,955	-
Passed through Governor's Office for Children and Families				
Affordable Care Act Abstinence Education Program	93.235	42700-040-0000035754	8,156	-
Total U.S. Department of Health and Human Services			199,217	-
Total Expenditures of Federal Awards			$ 1,807,955	$ 1,571,435

See accompanying notes to the Schedule of Expenditures of Federal Awards.

LINCOLN COUNTY, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Lincoln County, Georgia (the "County"), and is prepared on the modified accrual basis of accounting for governmental fund types and the accrual basis of accounting for the proprietary fund types. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Measurement Focus

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

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding $750,000 of total federal expenditures.

De Minimis Indirect Cost Rate

The County chose not to use the ten percent de minimus cost rate for the year ended June 30, 2016.

Noncash Assistance and Loans

There were no federal awards expended in the form of noncash assistance during the fiscal year. There were also no loans or loan guarantees outstanding at year-end.

MAULDIN & JENKINS

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*

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 **Lincoln County, Georgia** (the "County"), as of and for the year ended June 30, 2016, 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 27, 2016. 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 on 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.

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 opinion 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 deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001, 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, Georgia's Response to Finding

Lincoln County, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Lincoln County, Georgia's response was not subjected to the auditing procedures applied in our 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 27, 2016

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
of Lincoln County, Georgia
Lincolnton, Georgia

Report on Compliance For Each Major Federal Program

We have audited Lincoln County, Georgia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Lincoln County, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 27, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
December 27, 2016

LINCOLN COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Internal Control over major programs:		
Material weaknesses identified?	____ yes	_X_ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes	_X_ no
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	____ yes	_X_ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
	Workforce Investment Act/Workforce Investment Opportunities Act Cluster
17.258	U.S. Department of Labor – Workforce Investment Opportunities Act Adult Program
17.259	U.S. Department of Labor – Workforce Investment Opportunities Act Youth Program
17.278	U.S. Department of Labor – Workforce Investment Opportunities Act Dislocated Worker Program

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	____ yes	_X_ no

LINCOLN COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2016-001. 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: 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 reported.

LINCOLN COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I
PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2015-001. 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 2016-001.

SECTION II
PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

LINCOLN COUNTY, GEORGIA

MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

2016-001. Segregation of Duties

Name of the Contact Person Responsible for the Corrective Action Plan: Traci Bussey, Finance Director.

Corrective Action Plan: The offices listed above are in the process of reviewing their respective systems to evaluate and determine the most efficient and effective solution to properly segregate duties among recording, distribution, and reconciliation of accounts to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

Anticipated Completion Date: Future fiscal years.

Lincoln County Board of Commissioners

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H. WADE JOHNSON, Chairman
ROXANNE BROWN, County Clerk
BENJAMIN JACKSON, County Attorney

VIRGINIA WILLIAMS, District 1
LARRY COLLINS, District 2
COOPER CLIATT, District 3
RICHARD BROWN, District 4

December 30, 2016

State of Georgia
Department of Audits and Accounts
Nonprofit and Local Government Audits Division
Local Government Audits
270 Washington Street, SW, Room 1-156
Atlanta, GA 30334-8400

Lincoln County, Georgia respectively submits the following corrective action plan for the year ended June 30, 2016.

Our auditors for the year ended June 30, 2016 were Mauldin & Jenkins, CPAs, LLC., Post Office Box 1877, Macon, Georgia 31202-1877.

A. Comment on Findings

2016-001. Segregation of Duties
The County concurs that there are instances of overlapping duties in various departments with regards to recording, distribution, and reconciliation of accounts.

Expenditures Exceeded Appropriations at the Legal Level of Control
The County concurs that there were instances where the expenditures exceeded the amount of appropriations.

B. Actions Taken or Planned

2016-001. Segregation of Duties
The County continues to review and improve policies and procedures in an effort to eliminate segregation of duties issues within the various departments.

Expenditures Exceeded Appropriations at the Legal Level of Control
The County continues to stress the necessity of keeping expenditures below the appropriated amounts in the various departments.

C. Status of Corrective Actions

2016-001. Segregation of Duties
The County continues to implement reviews and reconciliations to monitor and provide reasonable assurances that resources are being accurately recorded and appropriated. As in the past the current staffing and financial resources available do not allow for the additional staffing needed in the specific departments that have segregation of duty issues. The offices that continue to be specified for the segregation of duties issues include the Clerk of Superior Court and Water--none of the noted departments have had any instance of suspected misappropriations and all have fairly stringent computer programs in place for processing and maintaining records. The county does continue to review and improve its policies and procedures to improve on the segregation of duty issues.

Expenditures Exceeded Appropriations at the Legal Level of Control
The County continues to work with the various departments to keep spending below the amounts appropriated, which is evidenced in the low amounts that spending exceeded appropriations. We will continue to make adjustments to re-appropriate funds between departments to accommodate the excessive spending.

If you have any questions regarding this plan, please call me at 706-359-4444.

Sincerely,

Traci Bussey

Traci Bussey
Finance Director