ANNUAL FINANCIAL REPORT

MCDUFFIE COUNTY,
GEORGIA

YEAR ENDED DECEMBER 31, 2011

MCDUFFIE COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	13
Statement of Net Assets	14
Statement of Activities	15
Balance Sheets – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund	20
Statements of Net Assets – Proprietary Funds	21
Statements of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	22
Statements of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	24
Notes to Financial Statements	25
COMBINING AND INDIVIDUAL FUND STATEMENTS	52
General Fund	54
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund by Object	55

MCDUFFIE COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

	Page
Nonmajor Governmental Funds	58
Combining Balance Sheet	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	60
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – Jail Fund	61
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – Law Library Fund	62
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – Juvenile Probation Fund	63
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – Drug Task Force Fund	64
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – Hotel/Motel Tax Fund	65
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – Wireless Emergency Telephone System Fund	66
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – Landfill Surcharge Fund	67
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – Emergency Telephone System Fund	68
Fiduciary Funds	69
Combining Balance Sheet	70
Combining Statement of Changes in Assets and Liabilities	71
SUPPLEMENTARY INFORMATION	73
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*	74
Report on Compliance with Requirements Applicable to Each Major Program and On Internal Control Over Compliance in Accordance With OMB Circular A-133	76

MCDUFFIE COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

	Page
Schedule of Expenditures of Federal Awards	78
Notes to the Schedule of Expenditures of Federal Awards	79
Schedule of Findings and Questioned Costs	82
Schedule of Prior Audit Findings	84
Schedule of Special Purpose Local Option Sales Tax 1999-2003	86
Schedule of Special Purpose Local Option Sales Tax 2004-2008	87
Schedule of Special Purpose Local Option Sales Tax 2009-2014	88
Schedule of Project Expenditures and Source and Application of Funds for Community Development Block Grants	89

This page left blank intentionally.

Baird & Company *CPAs, LLC*
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL ADVISORS

John P. Gillion, Jr., CPA, PFS, CFS, CVA, CFP®
Brenda F. Carroll, CPA, CFE, CIA, CICA, FCPA, CSEP, PFS
Rep E. Whiddon, CPA, CVA

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
McDuffie County, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McDuffie County, Georgia as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McDuffie County Health Department, a discretely presented component unit, whose statements reflect total assets of $131,878 and total net assets of $83,878 as of June 30, 2011, and total revenues of $481,850 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McDuffie County Health Department, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously 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 McDuffie County, Georgia as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012 on our consideration of McDuffie County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and pages 55 through 57 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 and the other auditors 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McDuffie County, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements, and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and schedules described in the accompanying table of contents, including the Special Purpose Local Option Sales Tax 1999-2003, Special Purpose Local Option Sales Tax 2004–2008, Special Purpose Local Option Sales Tax 2009–2014, and Schedule of Project Expenditures and Source and Application of Funds for Community Development Block Grants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MCDUFFIE COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011

As management of McDuffie County we offer the readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented in this analysis along with the complete financial statements and notes in the 2011 Audit Report to enhance their understanding of McDuffie County's financial performance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to McDuffie County Government's financial statements which include government-wide and fund statements as well as notes to the financial statements. This report also contains other supplementary information in addition to the basic financials that may be of interest to the reader.

McDuffie County's basic financial statements are comprised of three components: The first component is government-wide financial statements, second is fund financial statements and third, notes to the financial statements. The Government-wide financial statements present an overall picture of McDuffie County's financial position and results of operations. The Fund financial statements present financial information for McDuffie County's major funds. The Notes to the financial statements provide additional information concerning McDuffie County's finances that are not disclosed in the Government-wide or Fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a similar manner to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. The purpose of the design of the statement of activities is to show the financial reliance of the County's distinct activities or functions on revenues provided by the County's taxpayers. This statement also presents a comparison between direct expense and program revenues for each function of the government.
Both statements attempt to distinguish functions of McDuffie County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

In the *Statement of Net Assets* and the *Statement of Activities*, we divide the County into three kinds of activities:

- Governmental activities—Most of the County's basic services are reported here, including general government, public safety, highway and streets, health and welfare, culture and recreation, judicial system and economic development.
- Business-type activities—The County charges a fee to customers to help cover the cost of certain services it provides. The County's water, sewer and solid waste operations are reported here.
- Component units-- The County includes two separate entities in our report, The Development Authority of McDuffie County and the City of Thomson and the McDuffie County Health Department. The Development Authority serves to promote, pursue and implement economic development in the County. The Health Department is a public health department serving all citizens and non citizens of McDuffie County needing the available services provided by the Health Department.

The government-wide financial statements can be found on pages 14-16 of this report.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Like other state and local governments, McDuffie County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information present for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will allow readers to better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major funds. McDuffie County reports four major governmental funds – General Fund, Splost V, Debt Service and the General Obligation Bond Fund.

Proprietary Funds

The Government has two types of proprietary funds report used to account for activities that operate similar to commercial enterprises found in the private sector. These are funds that charge fees for services provided to outside customers including other local governments are known as enterprise funds. McDuffie County has three enterprise funds: the solid waste fund, the water and sewer funds.

The proprietary fund statements can be found on pages 21-23 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held by the government for private organizations, other governments or other departments inside the government. The government is responsible for ensuring that these assets are used only for their intended purposes and are paid to the intended recipients. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's operation or programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 71-73 of this report.

Government-wide Financial Analysis

Net Assets

Net assets may serve over time as useful indicators of a government's financial position. Management has included comparative data which may be useful in comparing the current year and noting possible changes.

The following table provides a summary of the County's governmental and business-type net assets for fiscal year 2010 and 2011.

McDuffie County's Net Assets
December 31, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Assets						
Current and other assets	$12,490,300	$17,387,123	$913,675	$1,028,288	$13,403,975	$18,415,411
Capital assets, net	41,965,550	40,938,262	20,037,640	19,600,477	62,003,190	60,538,739
Total assets	54,455,850	58,325,385	20,951,315	20,628,765	75,407,165	78,954,150
Liabilities						
Current and other liabilities	1,315,641	2,146,813	149,610	293,162	1,465,251	2,439,975
Long-term liabilities	15,731,199	17,080,220	7,001,157	7,097,651	22,732,356	24,177,871
Total liabilities	17,046,840	19,227,033	7,150,767	7,390,813	24,197,607	26,617,846
Net Assets						
Invested in capital assets, net related debt		23,858,042	13,374,418	12,855,714	13,374,418	36,713,756
Restricted - Debt Service	1,418,707	2,030,174			1,418,707	2,030,174
Unrestricted	35,990,303	13,210,136	426,130	382,238	36,416,433	13,592,374
Total net assets	$37,409,010	$39,098,352	$13,800,548	$13,237,952	$51,209,558	$52,336,304

Governmental Activities

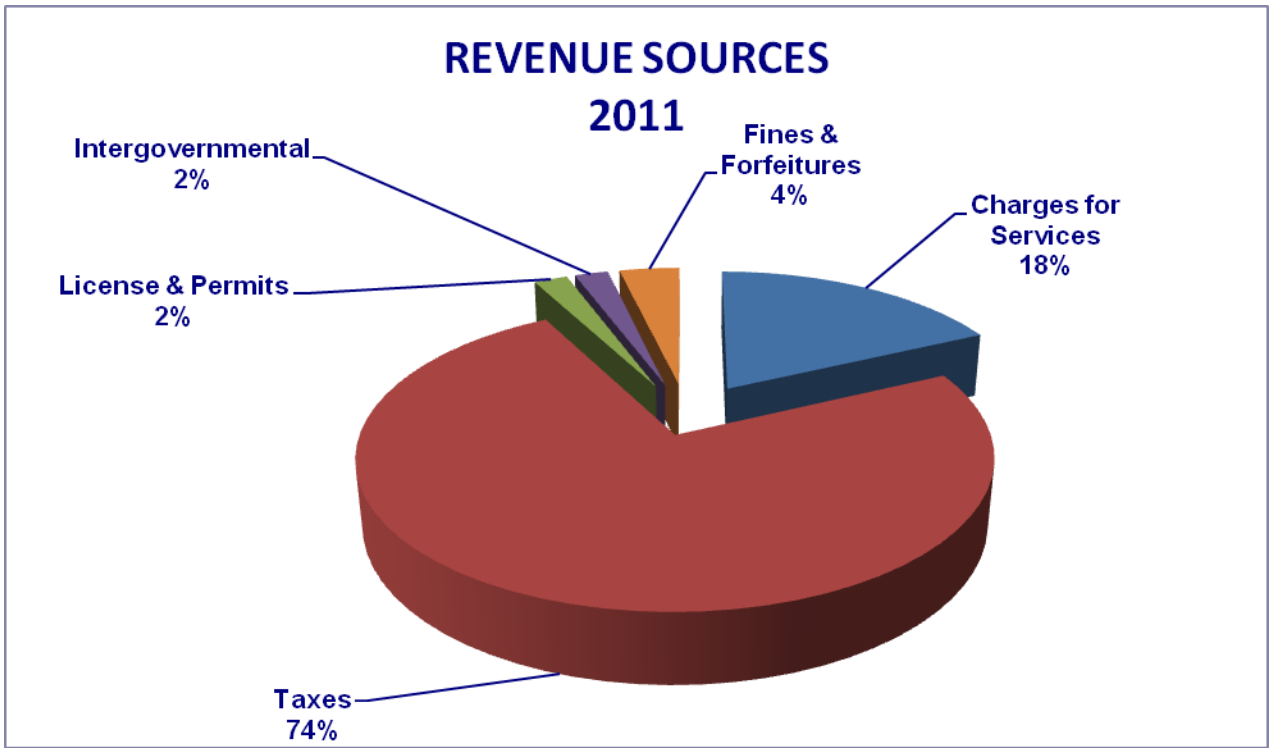
The balance of unrestricted net assets, 96% in 2011 and 33% in 2010 may be used to meet the Government's obligations to citizens and creditors. The governmental net assets decreased by $1,689,342 for 2011.

McDuffie County
Changes in Net Assets

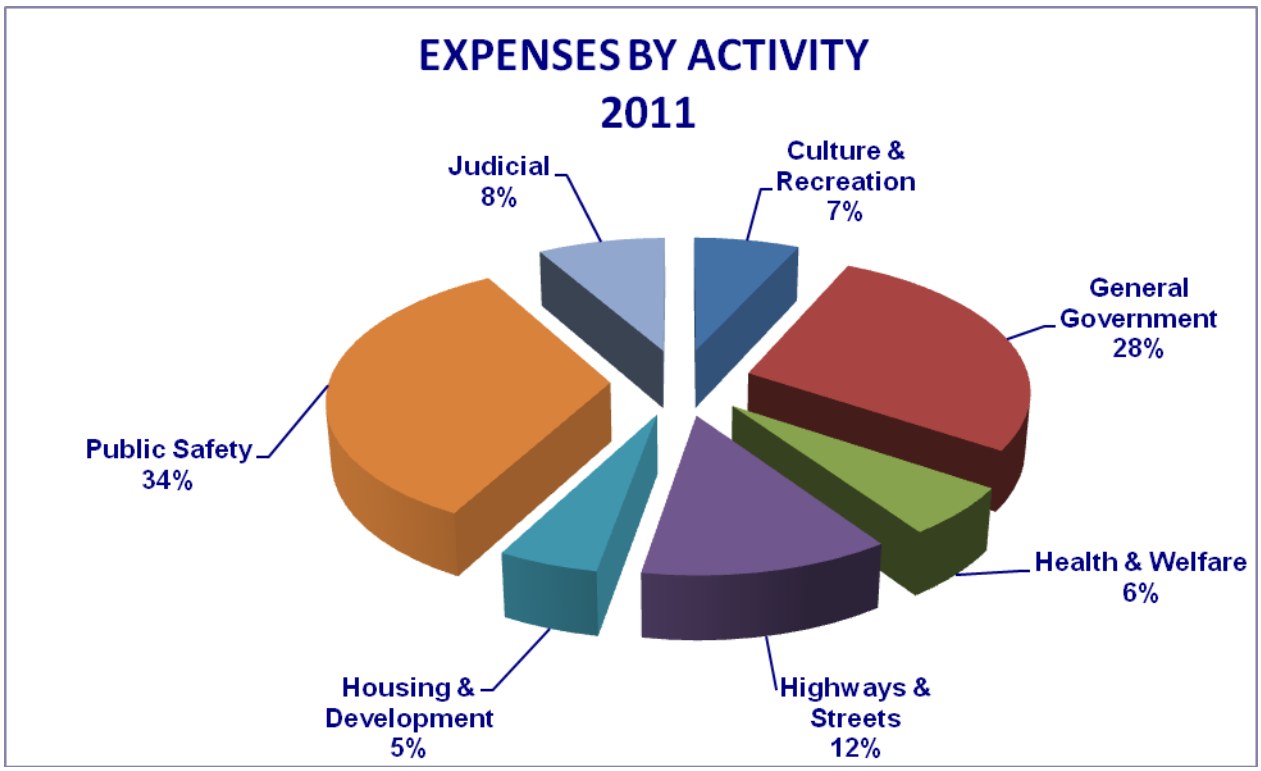
	Governmental Activities		Business-Type Activities		Totals	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Revenues						
Program Revenues:						
Charges for Services	$3,722,667	$3,301,716	$	$	$3,722,667	$3,301,716
Water Fund			694,640	831,003	694,640	831,003
Sewer Fund			90,602	87,802	90,602	87,802
Solid Waste			1,182,125	1,234,250	1,182,125	1,234,250
Operating Grants & Contributions	79,167	217,408			79,167	217,408
Capital Grants & Contributions			171,600	754,206	171,600	754,206
Total Program Revenues	3,801,834	3,519,124	2,138,967	2,907,261	5,940,801	6,426,385

	2011	2010	2011	2010	2011	2010
General Revenues:						
Property taxes	$5,514,723	$4,970,573	$	$	$5,514,723	$4,970,573
Sales taxes	5,851,546	6,189,886			5,851,546	6,189,886
Franchise taxes	74,092	92,699			74,092	92,699
Intangible taxes	63,006	63,349			63,006	63,349
Hotel/motel taxes	157,478	175,811			157,478	175,811
Alcoholic beverage taxes	253,237	244,862			253,237	244,862
Financial institution tax	39,850	34,352			39,850	34,352
Real estate transfer tax	8,125	10,281			8,125	10,281
Insurance premium tax	608,494	665,501			608,494	665,501
Interest income	29,416	188,628	187	497	29,603	189,125
Payments in lieu of taxes	34,514	34,232			34,514	34,232
Railroad Taxes	6,226	5,724			6,226	5,724
Total General Revenues	12,640,707	12,675,898	187	497	12,640,894	12,676,395
Total Revenue	16,442,541	16,195,022	2,139,154	2,907,758	18,581,695	19,102,780
Expenses:						
General government	6,615,139	5,279,061			5,241,646	5,279,061
Public Safety	5,428,309	4,716,554			5,428,309	4,716,554
Highways and streets	2,104,967	2,394,846			2,104,967	2,394,846
Health & welfare	779,909	535,989			779,909	535,989
Water Fund			720,045	1,350,014	720,045	1,350,014
Sewer Fund			293,290	295,830	293,290	295,830
Solid Waste			1.262,012	1,269,348	1.262,012	1,269,348
Economic Development	583,521	562,152			583,521	562,152
Culture & recreation	986,253	885,861			986,253	885,861
Judicial	969,634	948,753			969,634	948,753
Interest	773,625	819,925			773,625	819,925
Total Expenses	18,241,357	16,143,141	2,275,347	2,915,192	19,143,211	19,058,333
Transfers Out	62,126	44,105	-62,126	-44,105	0	0
Change in Assets	-1,689,342	761,982	562,326	-717,535	878,175	44,447
Ending Net Assets	$37,409,010	$39,098,352	$13,800,548	$13,237,952	$52,583,051	$52,336,304

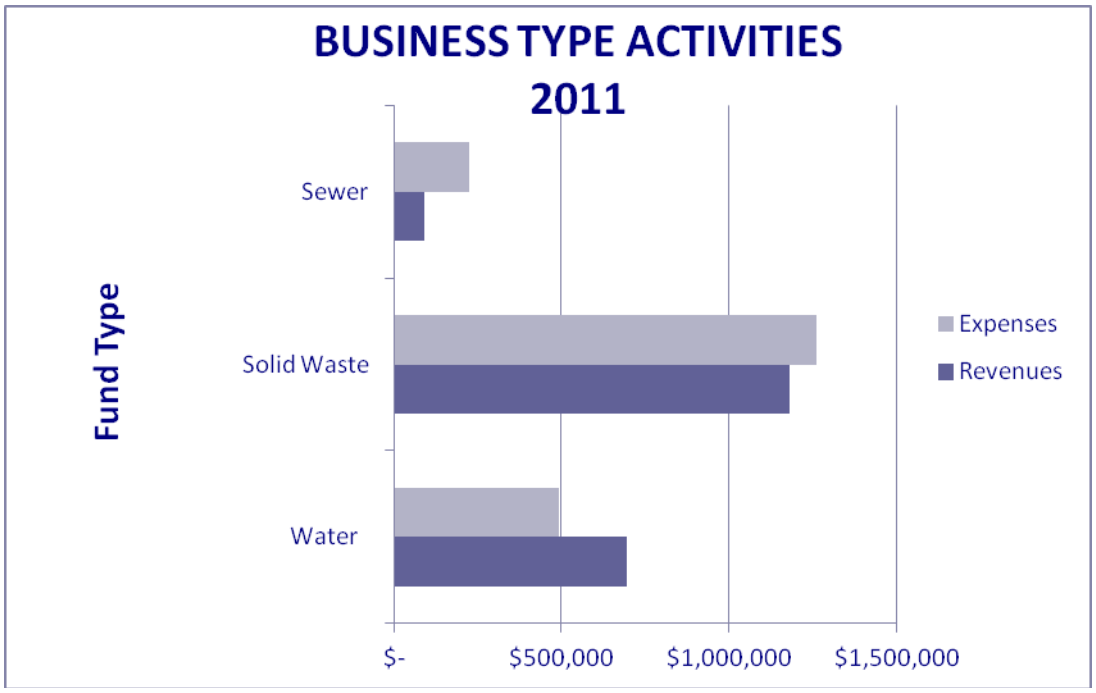
McDuffie County has several general revenue sources: charges for services, license and permits; fines and forfeitures, taxes and intergovernmental revenues. General revenues decreased by $35,191 during 2011. The chart below displays the collections of revenue by sources for 2011.



McDuffie County provides several services to the Citizens. The pie chart below provides an illustration of the expenses associated with each service.



Business-type activities
Business type activities reflect lower expenses and revenues for 2011. The water revenues decreased by $136,363 and the sewer revenues increased by $2,800. The solid waste system incurred a loss of $79,887 for the year. The illustration below shows the revenues and expenses for each business activity for 2011.



Financial Analysis of McDuffie County's Funds
As noted earlier, McDuffie County employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. In assessing McDuffie County's financing requirements, unreserved fund balance is a particularly useful measure of net resources available for spending at the end of the fiscal year. The governmental fund types include the General Fund, Special Revenue Funds and Capital Projects Fund. The major funds are General Fund, Splost V, Debt Service and the General Obligation Bond Fund.

As of December 31, 2011, McDuffie County governmental funds, which include the major fund and various other funds, reported combined fund balances of $10,871,623.

The General Fund is the chief operating fund of the County. At December 31, 2011, total fund balance was $4,173,367. The fund balance of McDuffie County has increased by $491,168.

The SPLOST Capital Project Fund reflects funds collected from the 1% Special Local Option Sales Tax and expended for capital items that are in agreement with the resolution approved by the voters. Because projects often bridge several years and involve design, land acquisition, and construction phases, expenditures may vary widely from year to year. Cost expended yearly in capital projects funds are added to the County's construction-in-progress until the project is complete, and then depreciated over the assets' useful lives.

Proprietary Funds

Proprietary fund statements provide the same information as in the business-type activities column of the government-wide statements, but in greater detail, and on a fund basis for enterprise funds.

Enterprise Funds – At December 31, 2011, total net assets amounted to $13,800,548 for enterprise funds compared to $13,237,952 at December 31, 2010. Net assets changes are a result of operations, other non-operating revenues and expenses, capital contributions and donated assets and grants. The three funds in this category are Water, Sewer and Solid Waste. These funds received additional revenue from sources such as fees, grants and transfers from the General Fund.

The Water-District I fund continues to grow due to the demand for services. The Joint Water Sewer Commission, of which McDuffie County is a 50% owner, continued to expand water lines during 2011. The development and expansion of these projects was financed by grants and loans from United States Department of Agriculture.

McDuffie County is nearing the completion of the construction of a second water expansion which is funded by the special local option sales tax and by the United States Department of Agriculture by grants and loans. The completed project will provide additional users to the water system and in turn will increase revenues for the enterprise fund.

The solid waste transfer system had a net loss of $79,887 for the year. The revenues decreased by $52,125 and the expenditures decreased by $7,336 for the year.

The Water System is continuing to expand water lines throughout the County. The water project has increased the number of users in 2011 because of the completion in some areas.

Capital Assets and Debt Administration

Capital Assets

McDuffie County has invested $63,376,683 in capital assets (net of accumulated depreciation). Approximately 68% of this investment is related to governmental activities and includes infrastructure, land, buildings and machinery and equipment. As always McDuffie County continues to increase capital assets each year to provide the best services to the citizens of McDuffie County. Capital assets are discussed in more detail in Note 6 of the financial statements.

Capital assets held by the County at the end of the fiscal year are summarized as follows:

McDuffie County Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	$ 3,594,106	$ 2,721,225	$ 1,180,150	$ 1,180,150	$ 4,774,256	$ 3,901,375
Buildings	36,884,051	19,826,460	212,237	212,237	37,096,288	20,038,697
Machinery & equipment	8,001,731	8,164,996	967,890	967,890	8,969,621	9,132,886
Infrastructure	40,385,033	40,018,612			40,385,033	40,018,612
Water System			2,886,365	2,886,365	2,886,365	2,886,365
Sewer System			8,807,643	8,807,643	8,807,643	8,807,643
Construction in progress	1,373,493	17,213,104	8,523,978	7,791,638	9,897,471	25,004,742
Total Assets	90,238,414	87,944,397	22,578,263	21,845,923	112,816,677	109,790,320
Accumulated Depreciation	-46,899,371	-47,006,135	-2,540,623	-2,245,446	-49,439,994	-49,251,581
Net Capital Assets	$43,339,043	$40,938,262	$20,037,640	$19,600,477	$ 63,376,683	$60,538,739

Debt Service

McDuffie County is a very fiscally conservative government. Debt agreements usually are for capital outlay items. McDuffie County continues to have an excellent credit rating with Dun & Bradstreet and should have no conflicts that would affect the financing of any planned facilities or services.

During 2011, the County paid off a loan to First Citizens Bank for equipment purchased by the highway and streets department. The county entered into a general obligation bond in the amount of $17,655,000 during 2008 to build a new government complex building. Interest and principal payments of $2,028,625 were paid from SPLOST V collections towards the general obligation bond.

The Water Expansion Fund entered into a bond agreement in the amount of $1,181,900 in the year 2000. The note matures in 2040 and is current. The remaining balance is $1,010,497. The Sewer Expansion Fund entered into a bond with the United States Department of Agriculture in the amount of $1,719,000. The remaining balance is $1,646,408. This bond was for the sewer expansion. In 2008, the water fund obtained a bond agreement in the amount of $4,109,000 for the water expansion. The current balance is $4,006,317.

The following table displays all debt owed by McDuffie County for the current and prior years. This entire amount is backed by full faith and credit of the government. This table presents accrued compensated absences which reflect the liability the county owes the employees for vacation time. Also, the table includes postclosure cost for the landfill. This liability represents the cost for routine water monitoring at the facility. The landfill was closed in 1995 and the county must maintain the landfill for thirty years. Note 8 of the financial statements provide a summary of the long term liability transactions for the year ending 2011.

McDuffie County
Outstanding Debt
Fiscal Years 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Accrued compensated absences	$ 326,199	$ 334,336	$11,615	$12,453	$ 337,814	$ 346,789
Equipment Loans		85,884				85,884
Bonds payable	15,405,000	16,660,000			15,405,000	16,660,000
Water Expansion Loans			5,016,814	5,077,820	5,016,814	5,077,820
Sewer Loans			1,646,408	1,666,943	1,646,408	1,666,943
Postclosure costs			326,320	340,435	326,320	340,435
Total Debt	$15,731,199	$17,080,220	$7,001,157	$7,097,651	$22,732,356	$24,177,871

Economic Factors and Year 2011 Budget and Rates

McDuffie County Board of Commissioners continues to aggressively address the current and future needs of the County by focusing on sound financial management, the reserve policy, the use of current resources for capital expenditures and the development of capital improvements plans. With a growing population the challenge is to continue to improve the quality of life by concentrating on the demands placed on other infrastructure such as providing residents in the County with water, sewer and quality services.

McDuffie County completed the construction of Government Complex in May, 2011. Government offices were relocated and a dedication service was held in August, 2011. McDuffie County projects the new facility will lower overhead cost by consolidating most of the government offices into one building. The repayment of the bonds will be funded by SPLOST V revenues.

McDuffie County is continuously applying for grants to have improvements within the County. During 2011, the County continued to work with two Community Block Development Grants which were awarded in prior years under a community housing investment program. These grants work towards increasing the housing improvements in the community. McDuffie County has been awarded several stimulus grants to aid with public safety and the judicial system.

McDuffie County has experienced the effects of the downturn in the economy. Revenues for the current year have had a slight decrease. The primary revenue streams for the County are property taxes, sales tax collections and the housing of inmates for other local governments, state and federal agencies. During 2011, the local option tax collections and special option tax collections decreased by 5.5%. The hotel tax collections decreased by 10.4%.
The government has closely monitored expenditures during the year and each department has been very conservative in their spending. Expenditures were $467,005 more than the County had in the original budget. The higher expenses were contributed the relocation to the new Government Center Complex and the duplication of many services during the process.

McDuffie County is making every effort to keep positions and the unemployment rate low. The unemployment rate as of December, 2011 was 11% compared to December, 2010 of 10.1%. The government continues with a hiring freeze on unfilled positions; but has not given any furlough days for employees.

For fiscal year 2012, the property tax millage rate will remain the same, both in the unincorporated and incorporated areas. McDuffie County anticipates another year of decreased revenues and conservatism within the government for 2012.

Request for Information

This financial report is designed to provide a general overview of McDuffie County Government's finances for anyone interested in our County's finances. Questions concerning this report or any requests for additional information may be addressed to the McDuffie County Board of Commissioners, 210 Railroad Street, Thomson, GA 30824, and 706-597-7300 or at our Website www.thomson-mcduffie.com.

BASIC FINANCIAL STATEMENTS

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Development Authority	Health Department
Assets					
Cash and cash equivalents	$ 3,695,924	$ 1,261,113	$ 4,957,037	$ 1,046,365	$ 77,825
Investments	2,012,439	-	2,012,439	-	-
Receivables					
Taxes	1,332,001	-	1,332,001	-	54,053
Accounts	119,780	217,498	337,278	-	-
Intergovernmental	360,591		360,591	-	-
Notes	-	-	-	497,335	-
Internal balances	564,936	(564,936)	-	-	-
Restricted assets			-		
Cash and cash equivalents	2,985,922	-	2,985,922	-	-
Investments	1,418,707	-	1,418,707	-	-
Capital assets (net of accumulated depreciation)					
Land	3,594,106	1,180,150	4,774,256	3,771,560	-
Construction in progress	-	8,523,978	8,523,978	-	-
Buildings and improvements	29,810,642	118,997	29,929,639	1,610,218	-
Furniture, fixtures, and equipment	3,053,997	86,054	3,140,051	12,662	-
Infrastructure	5,506,805	-	5,506,805	-	-
Water-sewer expansion	-	10,128,461	10,128,461	-	-
Total assets	54,455,850	20,951,315	75,407,165	6,938,140	131,878
Liabilities					
Accounts payable	1,090,470	134,033	1,224,503	-	15,892
Accrued liabilities	91,024	15,577	106,601	4,715	-
Intergovernmental	134,147	-	134,147	-	-
Noncurrent liabilities					
Due within one year	1,295,000	77,071	1,372,071	56,604	32,108
Due in more than one year	14,436,199	6,924,086	21,360,285	202,418	-
Total liabilities	17,046,840	7,150,767	24,197,607	263,737	48,000
Net Assets					
Invested in capital assets, net of related debt	-	13,374,418	13,374,418	5,135,418	-
Restricted for:					
Debt service	1,418,707	-	1,418,707		
Health and welfare programs - PYPI	-	-	-	-	85,907
Unrestricted	35,990,303	426,130	36,416,433	1,538,985	(2,029)
Total net assets	$ 37,409,010	$ 13,800,548	$ 51,209,558	$ 6,674,403	$ 83,878

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Development Authority	Component Units: Health Department
Primary government:									
Governmental activities:									
General government	$ 6,615,139	$ 1,321,689	$ 17,750	$ -	$ (5,275,700)	$ -	$ (5,275,700)	$	$
Public safety	5,428,309	1,372,968	9,912	-	(4,045,429)	-	(4,045,429)		
Public works	2,104,967	280,810	-	171,600	(1,652,557)	-	(1,652,557)		
Health and welfare	779,909	16,020	43,766	-	(720,123)	-	(720,123)		
Culture and recreation	986,253	83,211		-	(903,042)	-	(903,042)		
Economic develpment	583,521	155,889	-	-	(427,632)	-	(427,632)		
Judicial	969,634	492,080	7,739	-	(469,815)	-	(469,815)		
Interest on long-term debt	773,625	-	-	-	(773,625)	-	(773,625)		
Total governmental activities	18,241,357	3,722,667	79,167	171,600	(14,267,923)	-	(14,267,923)		
Business-type activities:									
Solid Waste	1,262,012	1,182,125	-	-	-	(79,887)	(79,887)		
Water Fund	720,045	694,640	-	807,993	-	782,588	782,588		
Sewer Fund	293,290	90,602	-	-	-	(202,688)	(202,688)		
Total business-type activities	2,275,347	1,967,367	-	807,993	-	500,013	500,013		
Total primary government	$ 20,516,704	$ 5,690,034	$ 79,167	$ 979,593	(14,267,923)	500,013	(13,767,910)		
Component units:									
Development Authority	$ 120,201	$ 197,376	$ 185,113	$ 63,036				325,324	-
Health Department	484,019	107,226	374,624	-				-	(2,169)
Total component units	$ 604,220	$ 304,602	$ 559,737	$ 63,036				325,324	(2,169)
General revenues:									
Property taxes					5,514,723	-	5,514,723	-	-
Sales taxes					5,851,546	-	5,851,546	-	-
Franchise taxes					74,092	-	74,092	-	-
Insurance premium tax					608,494	-	608,494	-	-
Hotel/motel taxes					157,478	-	157,478	-	-
Railroad taxes					6,226	-	6,226	-	-
Alcoholic beverage taxes					253,237	-	253,237	-	-
Financial institution tax					39,850	-	39,850	-	-
Real estate transfer taxes					8,125	-	8,125	-	-
Intangible taxes					63,006	-	63,006	-	-
Payments in lieu of taxes					34,514	-	34,514	-	-
Interest					29,416	187	29,603	1,740	-
Total general revenues					12,640,707	187	12,640,894	1,740	-
Transfers					62,126	(62,126)	-	-	-
Change in net assets					(1,689,342)	562,326	(1,127,016)	327,064	(2,169)
Net assets, beginning of year					39,098,352	13,238,222	52,336,574	6,347,339	86,047
Net assets, end of year					$ 37,409,010	$ 13,800,548	$ 51,209,558	$ 6,674,403	$ 83,878

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	SPLOST V	Bond Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,695,924	$ 635,764	$ 609,417	$ -	$ 1,740,741	$ 6,681,846
Investments	497	1,418,707	-	2,011,942	-	3,431,146
Receivables						
Property taxes	365,062	-	-	-	-	365,062
Sales tax	387,941	578,998	-	-	-	966,939
Other	119,780	-	-	-	-	119,780
Interfund receivables	6,315,356	-	594	-	18,449	6,334,399
Intergovernmental receivables	209,299	-	-	-	151,292	360,591
Total assets	$ 11,093,859	$ 2,633,469	$ 610,011	$ 2,011,942	$ 1,910,482	$ 18,259,763
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 737,960	$ 32,726	$ 270,129	$ -	$ 49,655	$ 1,090,470
Accrued liabilities	91,024	-	-	-	-	91,024
Interfund payables	5,654,325	-	-	601	114,537	5,769,463
Deferred revenue	303,036	-	-	-	-	303,036
Intergovernmental payable	134,147	-	-	-	-	134,147
Total liabilities	6,920,492	32,726	270,129	601	164,192	7,388,140
Fund Balances						
Restricted	-	2,600,743	339,882	2,011,341	1,746,290	6,698,256
Unassigned	4,173,367	-	-	-	-	4,173,367
Total fund balances	4,173,367	2,600,743	339,882	2,011,341	1,746,290	10,871,623
Total liabilities and fund balances	$ 11,093,859	$ 2,633,469	$ 610,011	$ 2,011,942	$ 1,910,482	$ 18,259,763

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total fund balances - governmental funds	$ 10,871,623
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	3,594,106
Infrastructure	40,385,033
Buildings and improvements	36,884,051
Furniture, fixtures, and equipment	8,001,731
Accumulated depreciation	(46,899,371)
Total capital assets	41,965,550
Some revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	303,036
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds	
General obligations	(15,405,000)
Compensated absences	(326,199)
Total long-term liabilities	(15,731,199)
Net assets of governmental activities	$ 37,409,010

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	SPLOST V	Bond Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 9,036,401	$ 3,503,534	$ -	$ -	$ 157,478	$ 12,697,413
Licenses and permits	252,109	-	-	-	-	252,109
Intergovernmental	250,767	-	-	-	208,224	458,991
Fines and forfeitures	451,701	-	-	-	84,442	536,143
Charges for services	2,194,341	-	-	-	33,413	2,227,754
Contributions and donations from private sources	6,158	-	-	-	-	6,158
Other revenue	120,548	122	-	-	373,086	493,756
Interest	1,630	3,869	20,852	2,293	770	29,414
Total revenues	12,313,655	3,507,525	20,852	2,293	857,413	16,701,738
EXPENDITURES						
Current expenditures:						
General government	3,190,369	-	-	-	-	3,190,369
Public safety	3,926,249	-	-	-	761,819	4,688,068
Public works	1,445,070	-	-	-	-	1,445,070
Health and welfare	693,359	-	-	-	-	693,359
Culture and recreation	800,170	-	-	-	-	800,170
Judicial	969,634	-	-	-	-	969,634
Economic development	583,521	-	-	-	-	583,521
Capital outlay:						
General government	-	541,609	4,474,388	-	363,542	5,379,539
Public safety	-	291,621	-	-	-	291,621
Public works		171,767	-	-	-	171,767
Debt service:						-
Principal	-	-	-	1,255,000	-	1,255,000
Interest	-	-	-	773,625	-	773,625
Intergovernmental:						
Payments to govts and agencies	-	377,397	-	-	-	377,397
Total expenditures	11,608,372	1,382,394	4,474,388	2,028,625	1,125,361	20,619,140
Excess (deficiency) of revenues over expenditures	705,283	2,125,131	(4,453,536)	(2,026,332)	(267,948)	(3,917,402)
OTHER FINANCING SOURCES (USES)						
Transfer in	238,000	-	-	2,008,093	389,989	2,636,082
Transfer out	(452,115)	(2,008,093)	-	-	(238,000)	(2,698,208)
Total other financing sources (uses)	(214,115)	(2,008,093)	-	2,008,093	151,989	(62,126)
CHANGE IN FUND BALANCES	491,168	117,038	(4,453,536)	(18,239)	(115,959)	(3,979,528)
FUND BALANCES, BEGINNING OF YEAR	3,682,199	2,483,705	4,793,418	2,029,580	1,862,249	14,851,151
FUND BALANCES, END OF YEAR	$ 4,173,367	$ 2,600,743	$ 339,882	$ 2,011,341	$ 1,746,290	$ 10,871,623

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - governmental funds	$ (3,979,528)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the costs of capital assets are allocated over their estimated useful lives as depreciation expenses. For the current year, these amounts were:	
Capital outlay	2,503,313
Depreciation expense	(2,067,230)
Net change in capital assets	436,083
In the statement of activities, the gain or loss on disposal of capital assets is reported. Conversely, governmental funds report only proceeds from disposal of capital assets. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets disposed.	
Cost of capital assets	2,757,062
Accumulated depreciation	(2,173,994)
Net book value	583,068
Because some revenue will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount in 2011.	(86,123)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, the repayment of the principal of long- term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets, Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt.	
Repayment of debt	1,349,021
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.	8,137
Change in net assets of governmental activities	$ (1,689,342)

The notes to the financial statements are an integral part of this statement.

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Cash Basis			Variance with Final Budget - Over (Under)
	Budgeted Amount			
	Original	Final	Actual Amount	
REVENUES				
Taxes	$ 9,017,444	$ 9,017,444	$ 8,523,146	$ (494,298)
Licenses and permits	142,700	142,700	152,281	9,581
Intergovernmental	1,011,347	1,475,213	1,417,721	(57,492)
Fines and forfeitures	636,750	636,750	575,934	(60,816)
Charges for services	1,304,498	1,307,637	1,158,570	(149,067)
Other	289,794	289,794	79,959	(209,835)
Total revenues	12,402,533	12,869,538	11,907,611	(961,927)
EXPENDITURES				
Current:				
General government	5,023,507	5,246,126	4,894,325	(351,801)
Public safety	3,923,160	4,059,793	3,866,004	(193,789)
Highways and streets	1,586,964	1,590,714	1,432,054	(158,660)
Health and welfare	576,725	670,853	654,923	(15,930)
Culture and recreation	910,583	911,969	895,586	(16,383)
Other	381,594	390,083	341,078	(49,005)
Total expenditures	12,402,533	12,869,538	12,083,970	(785,568)
Excess (deficiency) of revenues over expenditures	-	-	(176,359)	(176,359)
OTHER FINANCING SOURCES				
Transfer out	-	-	(214,115)	(214,115)
Total other financing sources	-	-	(214,115)	(214,115)
CHANGE IN FUND BALANCE	$ -	$ -	(390,474)	$ (390,474)
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities			881,642	
FUND BALANCE, BEGINNING OF YEAR			3,682,199	
FUND BALANCE, END OF YEAR			$ 4,173,367	

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

The notes to the financial statements are an integral part of this statement.

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
ASSETS				
Current assets				
Cash	$ 1,215,907	$ 43,383	$ 1,823	$ 1,261,113
Interfund receivables	363,020	7,650	4,870,630	5,241,300
Accounts receivable	107,661	7,336	102,501	217,498
Total current assets	1,686,588	58,369	4,974,954	6,719,911
Noncurrent assets				
Capital assets, net of accumulated depreciation	10,526,391	8,993,307	517,942	20,037,640
Total noncurrent assets	10,526,391	8,993,307	517,942	20,037,640
Total assets	$ 12,212,979	$ 9,051,676	$ 5,492,896	$ 26,757,551
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	41,562	100	92,371	134,033
Accrued liabilities	11,747	1,489	2,341	15,577
Interfund payables	363,611	-	5,442,625	5,806,236
Current portion of bonds payable	56,537	20,534	-	77,071
Total current liabilities	473,457	22,123	5,537,337	6,032,917
Noncurrent liabilities				
Bonds payable	4,960,277	1,625,874	-	6,586,151
Compensated absences	-	-	11,615	11,615
Closure and post closure costs payable	-	-	326,320	326,320
Total noncurrent liabilities	4,960,277	1,625,874	337,935	6,924,086
Total liabilities	5,433,734	1,647,997	5,875,272	12,957,003
Net Assets				
Investments in capital assets, net of related debt	5,509,577	7,346,899	517,942	13,374,418
Unrestricted	1,269,668	56,780	(900,318)	426,130
Total net assets	6,779,245	7,403,679	(382,376)	13,800,548
Total liabilties and net assets	$ 12,212,979	$ 9,051,676	$ 5,492,896	$ 26,757,551

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
OPERATING REVENUES				
Charges for services	$ 694,640	$ 90,602	$ 1,182,125	$ 1,967,367
Total operating revenues	694,640	90,602	1,182,125	1,967,367
OPERATING EXPENSES				
Personnel services	-	-	162,475	162,475
Operations	420,778	21,142	1,080,314	1,522,234
Depreciation	72,160	203,793	19,223	295,176
Total operating expenses	492,938	224,935	1,262,012	1,979,885
Operating income (loss)	201,702	(134,333)	(79,887)	(12,518)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	171	16	-	187
Interest expense	(227,107)	(68,355)	-	(295,462)
Intergovernment revenues	807,993	-	-	807,993
Total non-operating revenues (expenses)	581,057	(68,339)	-	512,718
Income (loss) before capital contributions and transfers	782,759	(202,672)	(79,887)	500,200
Transfers in	-	20,000	62,126	82,126
Transfers (out)	(20,000)	-	-	(20,000)
Change in net assets	762,759	(182,672)	(17,761)	562,326
NET ASSETS, BEGINNING OF YEAR	6,016,486	7,586,351	(364,615)	13,238,222
NET ASSETS, END OF YEAR	$ 6,779,245	$ 7,403,679	$ (382,376)	$ 13,800,548

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 653,820	$ 94,929	$ 1,191,410	$ 1,940,159
Cash received from interfund services provided	(223,860)	(7,250)	(1,200,683)	(1,431,793)
Cash paid to suppliers and others	(563,724)	(22,786)	(1,081,263)	(1,667,773)
Cash paid to employees	-	-	(175,139)	(175,139)
Cash paid for interfund services provided	223,860	-	1,204,234	1,428,094
Net cash provided by (used in) operating activities	90,096	64,893	(61,441)	93,548
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to other funds	(20,000)	-	62,127	42,127
Transfer from other funds	-	20,000	-	20,000
Net cash (used in) provided by noncapital financing activities	(20,000)	20,000	62,127	62,127
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernment revenues	743,631	-	-	743,631
Purchase of capital assets	(667,707)	-	-	(667,707)
Interest paid on long term debt	(227,107)	(68,355)	-	(295,462)
Principal paid on long term debt	(61,206)	(20,635)	-	(81,841)
Net cash (used in) capital and related financing activities	(212,389)	(88,990)	-	(301,379)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	171	16	-	187
Net cash provided by investing activities	171	16	-	187
Net (decrease) increase in cash	(142,122)	(4,081)	686	(145,517)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,358,029	47,464	1,137	1,406,630
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,215,907	$ 43,383	$ 1,823	$ 1,261,113
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 201,702	$ (134,333)	$ (79,887)	$ (12,518)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:				
Depreciation	72,160	203,793	19,223	295,176
Change in accounts receivable	(40,820)	4,327	9,285	(27,208)
Change in due from other funds	(223,860)	(7,250)	(1,200,683)	(1,431,793)
Change in accounts payable	(142,807)	(1,626)	1,550	(142,883)
Change in accrued postclosure	-	-	(14,114)	(14,114)
Change in accrued liabilities	(139)	(18)	(12,664)	(12,821)
Change in compensaed absences	-	-	11,615	11,615
Change in due to other funds	223,860	-	1,204,234	1,428,094
Total adjustments	(111,606)	199,226	18,446	106,066
Net cash provided by (used in) operating activities	$ 90,096	$ 64,893	$ (61,441)	$ 93,548

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2011

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,497,645
Total assets	1,497,645
LIABILITIES	
Due to others	1,497,645
Total liabilities	$ 1,497,645

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The financial statements of McDuffie County, Georgia (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As permitted by accounting principles generally accepted in the United States of America, the County has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its government-wide and proprietary operations. The County's more significant accounting policies are described in the following:

B. The Financial Reporting Entity

McDuffie County, Georgia, (the "County)", is located in the Central Savannah River area of Georgia, west of Augusta, Georgia. It was created from Columbia and Warren counties in 1872, the one-hundred thirty-second county created in Georgia. The County was named for George McDuffie, who was born in Georgia, served as governor and senator from South Carolina, and was a notable orator throughout the South. The County operates under an elected Commission, appointed manager, form of government.

The accompanying summary of the County's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. These policies conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

A board of five elected County Commissioners (the Board) governs McDuffie County, Georgia. They appoint a County Manager who is the Chief Administrative Officer and is responsible for day to day operations and implementation of the policy decisions made by the Board. As required by generally accepted accounting principles, these financial statements present McDuffie County, Georgia, (the primary government) and its component units. The component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

C. Individual Component Unit Disclosures

Development Authority of McDuffie County and the City of Thomson - The Authority was created for the purpose of promoting and developing trade, commerce, industry, and employment opportunities within the County. A Board of Directors appointed by the County Board of Commissioners governs the Authority. The Authority is funded and administered by the County. Separate financial statements have not been prepared for the Development Authority of McDuffie County and the City of Thomson.

McDuffie County Health Department – The Health Department receives funding from McDuffie County. The McDuffie County Board of Commissioners appoints Board members. The McDuffie County Board of Health has a June 30 year end, and the financial statements included herein are as of and for the year ended June 30, 2011. Separate financial statements have been issued, and are available from the McDuffie County Board of Health. The address is: McDuffie County Health Department, 300 Greenway Street, Thomson, GA 30824.

Discretely presented component units are presented in separate columns on the government-wide statement of net assets and statement of activities to emphasize legal separation from the County.

DRAFT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Certain County elected officials collect and disburse taxes, fees, fines, etc. Separate records of accountability are maintained for such transactions, which are recorded in the agency funds of the County. Receipts transferred from these funds to the County's General Fund, and Special Revenue Funds are included as revenue in these funds.

Operating costs for these officials are included as expenditures in the General Fund. These elected officials are:

Tax Commissioner
Probate Court Judge
Magistrate Court Judge
Clerk of Superior Court
Sheriff

D. Basic Financial Statements

The basic financial statements consist of the following:

Government-wide financial statements
Fund financial statements
Notes to the basic financial statements

Government-wide statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with the program or function of the County's governmental activities. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements – The fund financial statements provide information about the County's funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented, although the latter is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

E. 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 financial statements and the fiduciary fund statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers all revenues available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the County are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The County reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for general administration, public safety, highways and streets, health and welfare, and culture and recreation.

SPLOST V Fund - The SPLOST V Fund is used to account for proceeds from SPLOST V.

Bond Fund – The Bond Fund is used to account for bond proceeds.

Debt Service Fund - The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The County reports the following major enterprise funds:

Water Fund – The Water Fund is used to account for water operations as well as construction and maintenance of water projects.

Solid Waste Fund – The Solid Waste Fund is used to account for the cost of operating and maintaining the landfill facility.

Sewer Fund - The Sewer Fund is used to account for sewer operations as well as construction and maintenance of sewer projects.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the County reports the following fund types:

Fiduciary Funds – Fiduciary Funds are custodial in nature and do not involve the measurement of operating results. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the County in an agency capacity for individuals and other government units.

The County has adopted GASB Statement No. 20, Accounting and Financial Reporting of Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, and has elected to follow GAAP prescribed by GASB and all Financial Accounting Standard Board (FASB) standards issued prior to November 30, 1989. Subsequent to this date, the County accounts for its proprietary funds as presented by GASB.

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 Solid Waste and the Water-Sewer Expansion Funds are charges to customers for sales and services. Operating expenses for enterprise funds include costs of sales 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.

Fiduciary funds include all trust funds which account for assets held by the County as a trustee for individuals or other government units. The accounting used for fiduciary funds is accrual basis, much like that used for proprietary funds.

F. Budgets and Budgetary Accounting

Annual appropriated budgets are adopted by the Board of Commissioners for the General and Special Revenue Funds on a total revenues and total expenditures basis.

The following are the statutory procedures followed by the Board in establishing a budget:

1. Prior to July 20, the County Manager receives budget requests from County Departments for the fiscal year commencing January 1.
2. Prior to the first Wednesday in August, the County Manager presents the proposed budget to the Board of Commissioners.
3. The Board of Commissioners holds public hearings.
4. Prior to October 20, the Board of Commissioners formally adopts the budget for the fiscal year commencing January 1.
5. The legal level of budgetary control is the departmental level.
6. All appropriations lapse at year end.
7. The operating budgets originally adopted may be revised or amended throughout the year as presented below:
    a. The County Manager may authorize transfers (revisions) within the departments, except for substantive salary amendments.
    b. The Board approves transfers (amendments) between departments or between funds.
    c. Increases or decreases in the total fund appropriation are by authority of the Board.
    d. Increase or decrease within any department are by authority of the Board.
    e. Appropriation of fund balances in excess of established reserve requirements are by authority of the Board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The County's legally adopted budget is on the cash basis. The County adopted fiscal year 2011 budgets for the General Fund and Special Revenue Funds – the Jail Fund, Law Library Fund, Juvenile Probation Fund, Drug Task Force, Hotel/Motel Fund, Wireless Emergency Telephone System Fund, and Landfill Surcharge Fund. A reconciliation of cash basis to generally accepted accounting principles (GAAP) is included in the financial statements. A project-length balanced budget was adopted for each capital project fund.

G. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

At December 31, 2011, the County has no monies reserved for encumbrances.

H. Assets, Liabilities and Fund Equity

Cash and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments that mature within three months of the date acquired by the County.

The County follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Nonparticipating interest-earning investment contracts (investments whose value is not affected by interest rates or other market changes), including savings accounts, certificates of deposit, repurchase agreements, money market investments (short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations) and participating interest-bearing investment contracts, that have a remaining maturity, at purchase, of one year or less are reported at cost or amortized cost assuming their fair value has not been impacted by changes in the credit worthiness of the issuer or similar factors. All other investments are reported at fair value (the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale).

"Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on a $1.00 per share. The Office of the State Treasurer is the regulatory oversight agency for Georgia Fund 1.

Receivables

All receivables are reported at their net realizable value.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) or specific identification methods. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded in the year of purchase in both government-wide and fund financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Receivables and Payables
During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables and payables on the balance sheet of the fund financial statements and as "internal balances" on the statement of net assets in the government-wide financial statements.

Restricted Assets
The restricted cash recorded in the Debt Service Fund reflects amounts set aside for debt service. Amounts equal to two payments of the debt service are restricted.

The restricted cash recorded in the Water-Sewer Expansion Fund reflects amounts set aside for debt service. Amounts equal to one-tenth of the monthly debt service are restricted.

Capital Assets
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than $2,500 (amount not rounded) 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. Infrastructure acquired prior to June 30, 1980 is not reported.

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

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of proprietary assets is included as part of the capitalized value of the assets constructed. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

	Years
Buildings	25–50
Building improvements	20–25
Infrastructure	20–50
Furniture, fixtures and equipment	5–15
Vehicles	3–5
Specialized use equipment	2–10
Water system additions	15–40

Compensated Absences
It is the County's policy to permit employees to accumulate earned but unused leave benefits. Employees are allowed to accumulate a maximum of 320 hours vacation time; there are no limits on the accumulation of sick time. The County's government-wide and proprietary funds include an accrual for the estimated compensation costs attributable to employee earned but unused leave benefits. Compensated absences are liquidated through the General Fund.

Long-Term Obligations
In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets/Fund Balances

Fund balances are reported in 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. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

Nonspendable - amounts that are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - amounts constrained to specific purposes by third parties (statutory, bond covenant or granting agency), through constitutional provisions, or by establishing legislation.

Committed - amounts constrained to specific purposes by the County itself, using the highest level of decision-making authority; reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove the constraint.

Assigned - amounts the County intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - amounts that are available for any purpose; positive amounts are reported only in the general fund.

For the classification of Governmental Fund balances, the County considers an expenditure to be made from the most restrictive first when more than one classification is available. The County would typically use restricted fund balance first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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

I. Property Taxes
Property taxes are an enforceable lien on property as of January 1 of the current tax year. Generally, taxes are levied in September and are due and payable on or before November 15. Since the tax digest, which is prepared by the McDuffie County Tax Appraiser, has to be approved by the Georgia Department of Revenue, the tax levy may be delayed later than September. In such cases, the taxes are due within 60 days after levy. The County bills and collects its own property taxes. County property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is improbable based on management's estimate of the amount to be collectible. Current year property taxes were levied August 16th, and were due November 20, 2011.

J. Local Option Sales Tax
The County receives sixty-seven percent (67%) of a one percent (1%) local option sales tax on all retail sales within the County. The proceeds of this tax are used to reduce, on a dollar-for-dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Insurance premium taxes collected must also reduce the ensuing property tax levy. The County has established a fiscal policy to designate that portion of the General Fund’s fund balance, if available, for subsequent years’ expenditures.

NOTE 2 – MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA WATER AND SEWER COMMISSION

The City of Thomson, Georgia and McDuffie County, Georgia have established the McDuffie County/City of Thomson, Georgia, Water and Sewer Commission to operate and maintain the water and sewerage system for the city/county area. The Commission assumed the ownership and operations of the City of Thomson Water and Sewer Enterprise Fund in 1988, in conjunction with funding for expansion with the one percent (1%) Special Purpose Local Option Sales Tax. The Commission has seven members, three each from the City and County, and the seventh appointed by the Commission. The Commission was established for a term of fifty years. The City and County are equally responsible for the ownership of and the future maintenance and improvements to the System. The System is a closed system whereby all funds derived from the operation of the System must be used for the purposes of operating, maintaining, improving, or expanding the System.

Based on the standards established by Statement No. 14 of the Governmental Accounting Standards Board, the Commission is a legally separate governmental organization classified as a joint venture. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants in a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

An ongoing financial interest in a joint venture includes an equity interest when the agreement stipulates that the participating governments have a present or future claim on the net resources of the joint venture.

A participating government has an ongoing financial responsibility for a joint venture if it is obligated in some manner for the debts of the joint venture, or if the joint venture's continued existence depends on continued funding by the government.

Each participating government of the Commission has final authority for establishing rules and water and sewer rates, fees, standards and any other policy matters as are appropriate for the efficient delivery of water and sewer services. As such, each participating government has an indirect financial responsibility for the System, as defined by GASB Statement No. 14.

The City and County share certain responsibilities with respect to the Commission. The City is responsible for operations, maintenance and customer billing for the System. The County is responsible for administering construction funds obtained through the Special Purpose Local Option Sales Tax. The City and County jointly or individually administer grant and other funds, depending on the terms of such funding.

The basic financial statements of the Commission are presented in a manner consistent with primary governments. Operating transfers to the Commission by the participating governments are accounted for as intergovernmental transfers. Federal and state grant funds transferred to the Commission by the participating governments are accounted for as sub-recipient grant funds. Financial information for the year ended December 31, 2011, is summarized as follows:

NOTE 2 – MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA WATER AND SEWER COMMISSION- Continued

Operating revenues	$	4,063,782
Depreciation and amortization expense		1,024,402
Operating income (loss)		(330,031)
Change in net assets		(445,991)
Capital asset additions		156,087
Capital asset deletions		(53,688)
Net working capital		1,332,835
Total assets		35,264,831
Revenue bonds and other long-term liabilities		5,986,872
Total equity		28,768,795

The Commission has issued a separate financial report that may be obtained from:

City of Thomson
P. O. Box 1017
Thomson, Georgia 30824

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Bonds Payable
The County is in compliance, in all material respects, with requirements under covenants relating to its bonds payable.

Excess of Expenditures over Appropriations
There was no excesses of expenditures over appropriations (cash basis budget) in individual funds and by department within the General Fund.

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 banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County 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 (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.

Custodial Credit Risk – Investments – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. State statutes require all 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.

NOTE 4 – CASH AND TEMPORARY INVESTMENTS

As of December 31, 2011, the County had the following investments:

Investments	Weighted Avg Maturities	Fair Value	Credit Rating
Primary Government:			
Various Certificates of Deposit	43 days	$ 2,012,439	AAAm
Total fair value		$ 2,012,439	

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

NOTE 5 – TAXES RECEIVABLE

The County's Tax Commissioner bills and collects property taxes, then remits to the County its respective share of property taxes. Current year property taxes were levied August 16, 2011, and were due November 20, 2011. Property taxes become a lien on the first day of the levy year. Unpaid property taxes received within 60 days of year end are recognized and recorded as revenue (considered measurable and available), and property taxes unpaid 60 days after year end are recorded as deferred revenue. A summary of the 2011 tax levy follows:

		General Fund
2011 millage rate -	incorporated	8.50
	unincorporated	7.80
Net property tax levy		$ 4,607,386
Property tax receivable		$ 365,151
Deferred property tax revenues		$ 303,036

NOTE 6 – CAPITAL ASSETS

Governmental capital assets activity for the year ended December 31, 2011, was as follows:

	Balance 1/1/2011	Additions	Transfers/ Deletions	Balance 12/31/2011
Capital assets not being depreciated				
Land	$ 2,721,225	$ 872,881	$ -	$ 3,594,106
Total capital assets not being depreciated	2,721,225	872,881	-	3,594,106
Capital assets being depreciated				
Infrastructure	40,018,612	366,421	-	40,385,033
Buildings and improvements	19,826,460	17,057,591	-	36,884,051
Furniture, fixtures, and equipment	8,164,996	2,593,797	(2,757,062)	8,001,731
Total capital assets being depreciated	68,010,068	20,017,809	(2,757,062)	85,270,815
Less accumulated depreciation:				
Infrastructure	(34,448,575)	(429,653)	-	(34,878,228)
Buildings and improvements	(6,082,828)	(990,581)	-	(7,073,409)
Furniture, fixtures, and equipment	(6,474,732)	(646,996)	2,173,994	(4,947,734)
Less accumulated depreciation	(47,006,135)	(2,067,230)	2,173,994	(46,899,371)
Net capital assets being depreciated	21,003,933	17,950,579	(583,068)	38,371,444
Governmental activities capital assets - net	$ 23,725,158	$ 18,823,460	$ (583,068)	$ 41,965,550

NOTE 6 – CAPITAL ASSETS - Continued

Depreciation expense was charged to functions as follows:

General government	$ 857,847
Public safety	448,620
Highways and streets	488,130
Health and welfare	86,550
Culture and recreation	186,083
Total depreciation expense - governmental activities	$ 2,067,230

Business-type capital assets activity for the year ended December 31, 2011, was as follows:

Water Fund:

	Balance 1/1/2011	Additions	Transfers/ Deletions	Balance 12/31/2011
Capital assets not being depreciated				
Construction in process	$ 7,856,271	$ 667,707	$ -	$ 8,523,978
Total capital assets not being depreciated	7,856,271	667,707	-	8,523,978
Capital assets being depreciated				
Water-sewer expansion	2,886,365	-	-	2,886,365
Total capital assets being depreciated	2,886,365	-	-	2,886,365
Less accumulated depreciation:				
Water-sewer expansion	(811,792)	(72,160)	-	(883,952)
Less accumulated depreciation	(811,792)	(72,160)	-	(883,952)
Net capital assets being depreciated	2,074,573	(72,160)	-	2,002,413
Business-type activities capital assets - net	$ 9,930,844	$ 595,547	$ -	$ 10,526,391

NOTE 6 – CAPITAL ASSETS – Continued

Sewer Fund:

	Balance 1/1/2011	Additions	Transfers/ Deletions	Balance 12/31/2011
Capital assets not being depreciated				
Land	$ 867,259	$ -	$ -	$ 867,259
Total capital assets not being depreciated	867,259	-	-	867,259
Capital assets being depreciated				
Water-sewer expansion	8,807,643	-	-	8,807,643
Total capital assets being depreciated	8,807,643	-	-	8,807,643
Less accumulated depreciation:				
Water-sewer expansion	(477,801)	(203,794)	-	(681,595)
Less accumulated depreciation	(477,801)	(203,794)	-	(681,595)
Net capital assets being depreciated	8,329,842	(203,794)	-	8,126,048
Business-type activities capital assets - net	$ 9,197,101	$ (203,794)	$ -	$ 8,993,307

Solid Waste Fund:

	Balance 1/1/2011	Additions	Transfers/ Deletions	Balance 12/31/2011
Capital assets not being depreciated				
Land	$ 312,891	$ -	$ -	$ 312,891
Total capital assets not being depreciated	312,891	-	-	312,891
Capital assets being depreciated				
Buildings and improvements	212,237	-	-	212,237
Furniture, fixtures, and equipment	967,890	-	-	967,890
Total capital assets being depreciated	1,180,127	-	-	1,180,127
Less accumulated depreciation:				
Buildings and improvements	(87,935)	(5,305)	-	(93,240)
Furniture, fixtures, and equipment	(867,918)	(13,918)	-	(881,836)
Less accumulated depreciation	(955,853)	(19,223)	-	(975,076)
Net capital assets being depreciated	224,274	(19,223)	-	205,051
Business-type activities capital assets - net	$ 537,165	$ (19,223)	$ -	$ 517,942

NOTE 6 – CAPITAL ASSETS – Continued

Depreciation expense on capital assets of the Proprietary Funds was $295,177 for the year ended December 31, 2011.

Capitalization of Interest Costs requires that interest expenditures incurred during construction of assets be capitalized. *Capitalization of Interest Costs in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants* concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest costs exceed interest earned on related interest-bearing borrowing. There were no construction period interest costs capitalized in the Water-Sewer Expansion Fund during the year ended December 31, 2011.

Capital assets of the Discretely Presented Component Units consist of the following:

Development Authority	Balance 1/1/2011	Additions	Transfers/ Deletions	Balance 12/31/2011
Capital assets not being depreciated				
Land and land improvements	$ 3,771,560	$ -	$ -	$ 3,771,560
Property, plant and equipment				
Buildings and improvements	1,757,445	173,952	-	1,931,397
Equipment and furniture	18,572	-	-	18,572
Total property, plant and equipment	1,776,017	173,952	-	1,949,969
Less accumulated depreciation				
Buildings	(266,425)	(52,264)	-	(318,689)
Equipment and furniture	(8,400)	-	-	(8,400)
Total accumulated depreciation	(274,825)	(52,264)	-	(327,089)
Net capital assets being depreciated	1,501,192	121,688	-	1,622,880
Component unit capital assets - net	$ 5,272,752	$ 121,688	$ -	$ 5,394,440

Depreciation expense on capital assets of the Development Authority was $52,264 for the year ended December 31, 2011.

At June 30, 2011, the Health Department's investment in capital assets totaled $15,348, all of which were fully depreciated.

NOTE 7 – NOTES RECEIVABLE

At December 31, 2011, the Development Authority of McDuffie County and the City of Thomson (a discretely presented component unit) had the following notes receivable outstanding. The notes were collateralized by real estate.

Note receivable bearing interest at 2.75%, due in monthly installments of $1,697, including principal and interest, maturing in 2024.	$ 211,528
Notes receivable bearing interest at the federal fund rate as adjusted every six months, loan facility will be for a term of 15 years.	285,808
	$ 497,336

NOTE 8 – LONG TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2011:

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011	Due within One Year
Governmental Activities					
Bonds payable	$ 16,660,000	$ -	$ (1,255,000)	$ 15,405,000	$ 1,295,000
Equipment lease/purchase agreement	85,884	-	(85,884)	-	-
Accrued compensated absences	334,336	-	(8,137)	326,199	-
Total debt - governmental activities	$ 17,080,220	$ -	$ (1,349,021)	$ 15,731,199	$ 1,295,000
Business-type Activities					
Bonds payable	$ 1,028,965	$ -	$ (18,468)	$ 1,010,497	$ 17,447
Bonds payable	969,719	-	(11,945)	957,774	12,726
Bonds payable	697,224	-	(8,590)	688,634	8,955
Bonds payable	4,048,855	-	(42,538)	4,006,317	43,811
Accrued compensated absences	12,453	-	(838)	11,615	-
Accrued closure and postclosure costs	340,435	-	(14,115)	326,320	-
Total debt - business-type activities	$ 7,097,651	$ -	$ (96,494)	$ 7,001,157	$ 82,939

NOTE 8 – LONG TERM DEBT - Continued

Equipment Lease/Purchase
In November, 2007, the General Fund entered into a lease/purchase agreement with the lease amount totaling $400,000. The County began making monthly principal and interest payments with a minimum amount of $89,832 during November, 2008. The note matured November, 2011.

Bonds Payable
In December, 2008, the County entered into a bond agreement for $17,655,000 bearing interest rates of 3% - 5.25% for the purpose of paying the costs of the acquisition and furnishing of a City of Thomson/McDuffie County government center. Annual debt service requirements to maturity for these bonds are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2012	$ 1,295,000	$ 708,119	$ 2,003,119
2013	1,340,000	642,244	1,982,244
2014	1,385,000	574,119	1,959,119
2015	1,440,000	510,694	1,950,694
2016	1,495,000	451,994	1,946,994
2017-2021	8,450,000	1,083,104	9,533,104
Total	$ 15,405,000	$ 3,970,274	$ 19,375,274

In April 1999, the Water Fund entered into a bond agreement for $1,181,900 bearing interest of 4.5% with the United States Department of Agriculture to fund water improvements made within McDuffie County. The County began making annual interest and principal payments in May, 1999. The aggregate maturities of long term debt for this loan are as follows:

December 31,	Principal	Interest	Debt Service
2012	$ 17,447	$ 46,945	$ 64,392
2013	19,002	45,390	64,392
2014	19,875	44,517	64,392
2015	20,788	43,604	64,392
2016	21,743	42,649	64,392
2017-2021	124,648	197,312	321,960
2022-2026	156,034	165,926	321,960
2027-2031	195,322	126,638	321,960
2032-2036	244,503	77,457	321,960
2037-2039	191,135	23,219	214,354
Total	$ 1,010,497	$ 813,657	$ 1,824,154

NOTE 8 – LONG TERM DEBT - Continued

In March, 2007, the Sewer Fund entered into a bond agreement for $1,000,000 bearing interest of 4.125%, with the United States Department of Agriculture to fund sewer improvements made within McDuffie County. The County made an interest only payment in March, 2011 and began making monthly principal and interest payments in April, 2011. The aggregate maturities of long term debt for this loan are as follows:

December 31,	Principal	Interest	Debt Service
2012	$ 12,726	$ 39,268	$ 51,720
2013	12,975	38,745	51,720
2014	13,521	38,199	51,720
2015	14,089	37,631	51,720
2016	14,682	37,038	51,720
2017-2021	83,202	175,398	258,600
2022-2026	102,224	156,376	258,600
2027-2031	125,595	133,005	258,600
2032-2036	154,310	104,290	258,600
2037-2041	189,588	69,012	258,600
2042-2046	234,862	29,785	264,647
Total	$ 957,774	$ 858,747	$ 1,816,521

For the year ending Total

In March, 2007, the Sewer Fund entered into a bond agreement for $719,000 bearing interest of 4.125%, with the United States Department of Agriculture to fund sewer improvements made within McDuffie County. The County made an interest only payment in March, 2010 and began making monthly principal and interest payments in April, 2010. The aggregate maturities of long term debt for this loan are as follows:

December 31,	Principal	Interest	Debt Service
2012	$ 8,955	$ 28,233	$ 37,188
2013	9,331	27,857	37,188
2014	9,723	27,465	37,188
2015	10,132	27,056	37,188
2016	10,558	26,630	37,188
2017-2021	59,832	126,108	185,940
2022-2026	73,508	112,432	185,940
2027-2031	90,318	95,622	185,940
2032-2036	110,967	74,973	185,940
2037-2041	136,337	49,603	185,940
2042-2045	168,973	18,313	187,286
Total	$ 688,634	$ 614,292	$ 1,302,926

NOTE 8 – LONG TERM DEBT - Continued

June, 2010, the Water Fund entered into a bond agreement for $4,109,000 bearing interest of 4.5%, with the United States Department of Agriculture to fund improvements to the water system within McDuffie County. The County will make annual interest and principal payments beginning in June, 2010. The aggregate maturities of long term debt for this loan are as follows:

December 31,	Principal	Interest	Debt Service
2012	$ 43,811	$ 179,485	$ 223,296
2013	45,782	177,514	223,296
2014	47,842	175,454	223,296
2015	49,995	173,301	223,296
2016	52,245	171,051	223,296
2017-2021	298,679	817,801	1,116,480
2022-2026	372,207	744,273	1,116,480
2027-2031	463,839	652,641	1,116,480
2032-2036	578,027	538,453	1,116,480
2037-2041	720,326	396,154	1,116,480
2042-2046	897,657	218,823	1,116,480
2047-2048	435,907	10,685	446,592
Total	$ 4,006,317	$ 4,255,635	$ 8,261,952

Capital Leases

The County entered into agreements for the lease of certain machinery and equipment. The term of each agreement provides options to purchase the machinery and equipment at any time during the period of the lease. A capital lease generally is one that transfers benefits and risk of ownership to the lessee. The outstanding balance of capital lease obligations was paid during 2011.

Long Term Debt-Discretely Presented Component Units

The following is a summary of the Discretely Presented Component Units' long term debt:

Health Department	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011	Due within One Year
Accrued compensated absences	$ 31,781	$ 327	$ -	$ 32,108	$ -

Development Authority	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011	Due within One Year
Note payable	$ 385,094	$ -	$ (126,072)	$ 259,022	$ 56,604

NOTE 8 – LONG TERM DEBT - Continued

Note Payable – Development Authority
In October 2007, the Development Authority of McDuffie County and the City of Thomson entered into a note agreement for $470,000, bearing zero percent interest, with the City of Thomson and McDuffie County. The note agreement was made to consummate the purchase of a building. Debt service payments are to commence at the earlier of (1) two years from the date of issuance of a Certificate of Occupancy by the City of Thomson for the property or (2) the time at with the Development Authority leases at least one space in the new building. Monthly debt service payments will total $1,958 and mature after 20 years.

NOTE 9 – RETIREMENT PLAN

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

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan, through execution of the adoption agreement, is affiliated with the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan, administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of the ACCG Plan, as provided in Section 19.03 of the ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan, as provided in Section 19.02 of the ACCG Plan document.

Funding Policy: The County is required to contribute an actuarially determined amount annually to the Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by the ACCG Plan trustees and must satisfy the minimum contribution requirement contained in the State of Georgia statutes.

Annual Pension Cost: The County's annual pension cost and net pension obligation for the pension plan for the current year were determined as follows:

Derivation of Net Pension Obligation:		**2011**		**2010**
Net Pension Obligation as of Beginning of Prior Year	$	1,641	$	14,161
Annual Pension Cost for Prior Year		465,075		436,158
Actual Contributions to Plan for Prior Year		451,677		448,678
Increase in Net Pension Obligation	$	13,398	$	(12,520)
Net Pension Obligation as of Beginning of the Year	$	15,039	$	1,641
Derivation of Annual Pension Cost:				
Annual Required Contribution	$	491,573	$	465,084
Interest on Net Pension Obligation		1,165		127
Amortization of Net Pension Obligation		(1,247)		(136)
Annual Pension Cost	$	491,491	$	465,075

NOTE 9 – RETIREMENT PLAN – Continued

The County has made contributions to the Plan as follows:

Year Ended December 31,	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2009	$ 436,158	103%	$ 14,161
2010	465,075	97%	1,641
2011	491,491	N/A	15,039

Analysis of Pension Plan Funding Progress

Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of actuarial accrued liability provides one indication of funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

Measurement Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Annual Covered Payroll (prior year)	(6) UAAL as a Percentage of Covered Payroll (4)/(5)
December 31, 2001	$ 2,018,743	$ 2,397,007	84%	$ 378,264	$ 1,929,482	20%
December 31, 2002	2,073,654	2,537,889	82%	464,235	2,101,249	22%
December 31, 2003	2,081,539	2,910,670	72%	829,131	2,663,246	31%
December 31, 2004	2,466,645	3,227,220	76%	760,575	2,508,104	30%
December 31, 2005	2,719,440	3,662,069	74%	942,629	2,601,522	36%
December 31, 2006	3,659,475	4,569,397	80%	909,922	3,291,611	28%
December 31, 2007	4,056,389	5,012,180	81%	955,791	3,720,421	26%
December 31, 2008	4,169,932	5,431,170	77%	1,261,238	3,743,829	34%
December 31, 2009	4,682,912	5,861,209	80%	1,178,297	3,991,182	30%
December 31, 2010	5,147,287	6,555,606	79%	1,408,319	3,959,994	36%
December 31, 2011	5,612,393	6,917,466	81%	1,305,073	4,166,432	31%

NOTE 9 – RETIREMENT PLAN – Continued

The Plan information presented was determined as part of the actuarial valuation as of January 1, 2011. The following summarizes the actuarial methods and assumptions used in that valuation:

Actuarial cost method	Projected Unit Credit
Asset valuation method	Market Value
Amortization method	Level Percent of Pay (closed)
Remaining amortization periods	10
Actuarial Assumptions	
Assumed rate of return on assets	7.75%
Expected future salary increases	4.0%-6.5% based on age
Expected inflation	3.00%

* The remaining amortization period represents the estimated period for all unfunded liabilities combined into one amortization base.

**The actuarial assumptions include expected inflation of 3.0% per annum.

The County's total payroll amounted to $5,784,659 for the year ended December 31, 2011 (based on W-2 earnings for the year).

All full-time County employees are eligible to participate in the Plan after completing three years of service with benefits vesting after five years of service. Participants become eligible to retire with unreduced benefits at the earlier of age 65 with 5 years of participation in the Plan, or by age 62 with 35 years of service. Upon eligibility to retire, participants are entitled to a monthly benefit in the amount of 1% of average annual compensation up to $10,000 plus 1.5% of average annual compensation in excess of $10,000, plus $36 for each year of service up to 35 years, payable as a ten year certain and life annuity. Average annual compensation is calculated based on the highest five-year period during the ten years prior to retirement or termination. The Plan also provides benefits in the event of death or disability. These benefit provisions were established by an adoption agreement executed by the County Board of Commissioners.

County employees are not required to contribute to the Plan. The County contributes the entire cost of the Plan.

Other State of Georgia Pension Plans

The Sheriff, Clerk of Superior Court, Probate Judge, Tax Commissioner, and various other employees of the County are covered by the State of Georgia retirement plans and are not included as a part of the County's plan described above. These State Plans are funded, in part, through County fines and forfeiture collections.

Information on the Sheriff Retirement plan may be found at the following:

Georgia Sheriffs Association Retirement Fund
P.O. Box 1000
Stockbridge, GA 30281

Information on the Clerk of Superior Court Retirement plan may be found at the following:

Superior Court Clerk's Retirement Fund of Georgia
124 N. McDonough St., #3
Jonesboro, GA 30236

NOTE 9 – RETIREMENT PLAN – Continued

Information on the Probate Judge Retirement plan may be found at the following:

Probate Retirement Fund of Georgia
P.O. Box 56
Griffin, GA 30224

Information on the Tax Commissioners Retirement plan may be found at the following:

Employee Retirement System
Two Northside 75, Suite 300
Atlanta, GA 30318

Health Benefits
The County self-insures its employee health benefits for participating County employees up to $50,000 per individual. Claims in excess of $50,000 and up to $1,000,000 are reinsured through a private insurance carrier. A third-party administrator (TPA) processes claims, under the same coverage terms. The TPA processes and pays the claims and invoices the County. In 2011, the cost of health insurance was accounted for as a General Fund expense. During 2011, claims paid aggregated $801,169.

Deferred Compensation Plans
The County has adopted deferred compensation plans in accordance with Section 457 of the Internal Revenue Code. The plans allow any employee participant to voluntarily defer the lesser of 100% of the participant's gross compensation or $15,000 per year. All administrative costs of the plans are deducted from the participants' accounts. Benefit payments are payable upon termination of employment, unforeseeable emergency, retirement or death. The Custodial Account Agreement requires the County set aside assets and income from the plan in trust for the exclusive benefit of the participants and their beneficiaries. The County is in compliance with the agreement.

Information about the Pebsco Deferred Compensation plan may be found at the following:

Nationwide/Pebsco Payroll Processing
Department 1766
Columbus, OH 43271-1766

Information about the GEBCorp Deferred Compensation plan may be found at the following:

The Charles Schwab Trust
425 Market Street, 7th Floor
San Francisco, CA 94105

The County believes that it has no liability for losses under the plans but does have the duty of due care that would be required of an ordinary prudent investor.

The investments are managed by the Plan Administrator in one of three investment options or a combination thereof. The available options include fixed annuity, variable annuity and universal life insurance. The participant makes the choice of investment option(s).

At December 31, 2011, 28%, or 56, of the County's 203 employees, were participants in the deferred compensation plans.

The employees of the County contributed $4,050 and $78,597, respectively, to the Pebsco and GEBCorp deferred compensation plans during the year ended December 31, 2011.

NOTE 9 – RETIREMENT PLAN – Continued

GASB Statement No. 2, *Financial Reporting of Deferred Compensation Plans Adopted under the provisions of Internal Revenue Code Section 457*, established reporting requirements for IRC Section 457 plans. Based on the laws in effect at the time of its passage, that Statement required that all amounts deferred by the plan participants be reported as assets of the employer until made available to the participants or their beneficiaries. The laws governing these plans were changed to state that, as of August 20, 1996, new plans will not be considered eligible plans "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries". In the case of an existing plan, a trust need not be established before January 1, 1999. Since the County amended its plan to comply with the requirements of subsection (g) of Internal Revenue Code Section 457, it has adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*

NOTE 10 – RISK MANAGEMENT, LITIGATION, AND CONTINGENCIES

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government is a member of a public entity risk pool currently operating as a common risk management and insurance program for member local governments. The County has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Association County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund (ACCG-GSIWCF). As part of these risk pools, the Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pool's agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds. The funds are to defend and protect members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation, or defense.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims. Liabilities include amounts that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is reported as long term debt because it is not expected that it will be liquidated from expendable available financial resources. As of December 31, 2011, the County had recorded no liability for claims.

The change in the balances of the workers' compensation pool claims during fiscal year 2011 is as follows:

Unpaid claims, beginning of fiscal year	$ 99,521
Incurred claims	102,298
Claim payments	(38,894)
Unpaid claims, end of fiscal year	$ 162,925

NOTE 10 – RISK MANAGEMENT, LITIGATION, AND CONTINGENCIES - Continued

General, property, and vehicle liabilities are provided for by commercial insurance coverage. Surety coverage is provided by insurance bonding in amounts proportionate to employee exposure. The County is liable for the $1,000 deductible. The change in the property and liability claims during the year 2011 is as follows:

Unpaid claims, beginning of fiscal year	$ 12,700
Incurred claims	231,583
Claim payments	(200,983)
Unpaid claims, end of fiscal year	$ 43,300

The County accounts for the financial operations of a self-insured employee group health program in the General Fund. Specific stop loss coverage in the amount of $50,000 per covered individual is maintained to reduce the exposure from catastrophic claims. A third party administrator is employed to process claims for the program.

The change in the health insurance claims during year 2011 and 2010 are as follows:

	2011	2010
Unpaid claims, beginning of fiscal year	$ 77,178	$ 177,171
Incurred claims	754,215	701,176
Claim payments	(729,442)	(801,169)
Unpaid claims, end of fiscal year	$ 101,951	$ 77,178

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's management and counsel that resolution of these matters will not have a material effect on the financial condition of the County.

NOTE 11 – INTERFUND TRANSACTIONS

Due From/To Other Funds

Interfund receivables and payables account for loans between funds for cash management purposes. Interfund receivables and payables as of December 31, 2011, were as follows:

	Payable Fund				
Receivable Fund	General Fund	Others	Water Fund	Solid Waste Fund	Total
General Fund	$ -	$ 509,120	$ 363,611	$ 5,442,625	$ 6,315,356
Water Fund	363,020	-	-	-	363,020
Solid Waste	4,870,630	-	-	-	4,870,630
Sewer Fund	7,650	-	-	-	7,650
Others	413,425	93,578	-	-	507,003
Total	$ 5,654,725	$ 602,698	$ 363,611	$ 5,442,625	$ 12,063,659

Transfers To/From Other Funds

Transfers between the General Fund and other governmental funds were primarily to support the operations of the funds.

	Transfers in					
Transfers out	General Fund	Emergency Telephone System Fund	Debt Service Fund	Sewer System	Solid Waste Landfill	Total
General Fund	$ -	$ 389,989	$ -	$ -	$ 62,126	$ 452,115
Hotel/Motel fund	38,000	-	-	-	-	38,000
Emergency Telephone System Fund	200,000	-	-	-	-	200,000
SPLOST V	-	-	2,008,093	-	-	2,008,093
Water System	-	-	-	20,000	-	20,000
Total	$ 238,000	$ 389,989	$ 2,008,093	$ 20,000	$ 62,126	$ 2,718,208

NOTE 12 – NET ASSETS/FUND EQUITY

Reservations of net assets/fund equity are created to either satisfy legal covenants that require a portion of the fund balance be segregated or identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of the fund balance accounts are summarized as follow:

Reserve for encumbrances – This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

Reserve for designated purposes – This reserve represents the portion of net assets that is legally restricted for specified purposes.

Unreserved – This represents the portion of net assets that is not reserved and not designated for other purposes.

The Solid Waste Fund had a deficit in unreserved net assets totaling $382,376 as of December 31, 2011. The CDBG Fund had a deficit in unreserved net assets totaling $9,589 as of December 31, 2011. The deficits will be funded through operations and transfers from the General Fund.

NOTE 13 – SOLID WASTE FUND

The County maintains a solid waste landfill facility, which was established as an enterprise fund as of January 1, 1993. The current landfill was closed during 1994, to avoid the thirty year post-closure monitoring for leaks into the ground water and removal and treatment of leachate, as required by regulations issued by the U.S. Environmental Protection Agency. By closing the facility, the County is required to monitor the facility. The licensure process for a new landfill has been completed, and the permit has been extended until completion.

The Solid Waste Fund is expected ultimately to be self-supporting. All revenues related to the collection and disposal of solid waste, and the expenses related to the operation are reported in this fund.

Government Accounting Standards Board Statement No. 18 (GASB-18) was issued effective June 15, 1993, to establish accounting standards for reporting the liabilities associated with required closure and post-closure costs. The standard states that the total estimated current cost of closure and post-closure monitoring is to be recognized as a liability as the landfill's usable area is consumed. The estimated total current cost includes: (1) the cost of equipment expected to be installed and facilities expected to be constructed, (2) the cost of the final earth cover to be applied when the landfill is full, and (3) the estimated costs of monitoring and maintaining the landfill in the post closure period. The accrued closure and post-closure costs liability totaled $326,320 as of December 31, 2011.

Costs for closure and post-closure care are based on engineering estimates and are subject to change based on various factors some of which include inflation, deflation, changes in technology, and changes in laws and regulations. These costs are to be funded by collection fees and by tonnage costs. Costs incurred during 2011 totaled $14,114.

The fund had a deficit balance in unrestricted net assets as of December 31, 2011, totaling $382,376, which will be funded by transfers from the General Fund.

NOTE 14 – HOTEL/MOTEL LODGING TAX

McDuffie County has levied a 5% lodging tax pursuant to O.C.G.A. 48-13-51. At least 40% of the tax is to be used for tourism related purposes. During 2011, approximately 73% of receipts were allocated for tourism. Transactions for the year ended December 31, 2011 were as follows:

Lodging tax receipts	$ 157,478
Disbursements for promotion of tourism	(119,478)
Transfer to General Fund	(38,000)
Remaining balance	$ -

NOTE 15 – JOINT VENTURE

Under Georgia law, the County in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River Area Regional Development Center (RDC) and is required to pay annual dues thereto. During its year ended December 31, 2011, the County paid $14,316 in such dues. Membership in the RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC 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 or obligations of the RDC. Separate financial statements may be obtained from:

Central Savannah River Area Regional Development Center
3023 Riverwatch Parkway, Suite A
Augusta, Georgia 30907-2016

NOTE 16 – RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year ended December 31, 2011.

NOTE 17 - COMMITMENTS

The County had the following governmental activity projects with significant remaining construction and contractual commitments as of December 31, 2011:

NOTE 18 - SUBSEQUENT EVENTS

In preparing the financial statements, the County has evaluated events and transactions for potential recognition or disclosure through June 28, 2012.

COMBINING AND INDIVIDUAL FUND STATEMENTS

This page left blank intentionally.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with the County that are not required legally, or by sound financial management, to be accounted for in another fund.

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Cash Basis			
	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Property tax	$ 4,118,000	$ 4,118,000	$ 4,225,513	$ 107,513
Local option sales tax	2,500,000	2,500,000	2,334,977	(165,023)
Alcohol beverage tax	255,000	255,000	253,237	(1,763)
Insurance premium tax	700,000	700,000	608,494	(91,506)
Financial institution tax	35,000	35,000	39,850	4,850
Public utility	480,000	480,000	-	(480,000)
Franchise tax	80,000	80,000	74,092	(5,908)
Motor vehicle tax	352,477	352,477	376,663	24,186
Mobile home tax	76,641	76,641	73,716	(2,925)
Timber tax	12,900	12,900	23,110	10,210
Light district	20,426	20,426	22,036	1,610
Railroad tax	6,000	6,000	-	(6,000)
Payments in lieu of tax	36,000	36,000	34,514	(1,486)
Hotel motel tax	-	-	9,454	9,454
Commissions	200,000	200,000	266,090	66,090
FIFA	15,000	15,000	15,917	917
Motor vehicle late fee tax	40,000	40,000	42,153	2,153
Penalties and fines	90,000	90,000	123,330	33,330
Total Taxes	9,017,444	9,017,444	8,523,146	(494,298)
Licenses and permits				
Beer and wine licenses	8,700	8,700	11,260	2,560
Alcohol licenses	28,000	28,000	26,600	(1,400)
Business licenses	63,000	63,000	66,785	3,785
Building permits and licenses	43,000	43,000	47,636	4,636
Total licenses and permits	142,700	142,700	152,281	9,581
Intergovernmental				
General overhead	1,001,447	1,419,815	1,346,467	(73,348)
Government center - City of Thomson	-	45,498	54,498	9,000
Home delivered meals	7,000	7,000	11,486	4,486
Tax assessor	2,900	2,900	5,270	2,370
Total intergovernmental	1,011,347	1,475,213	1,417,721	(57,492)
Charges for services				
Recreation fees	82,750	82,750	83,211	461
Senior citizens fees	3,000	3,000	5,828	2,828
Rent	129,818	129,818	94,823	(34,995)
Animal shelter	3,000	3,000	5,682	2,682
Sheriff	1,059,750	1,059,750	943,400	(116,350)
Transportation	9,000	9,000	6,172	(2,828)
Public works	620	620	1,214	594
Human development	8,060	8,060	7,263	(797)
Fire fees	8,500	11,639	10,977	(662)
Total charges for services	1,304,498	1,307,637	1,158,570	(149,067)

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL - Continued
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Cash Basis			
	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES - Continued				
Fines and forfeitures				
Superior court fines and fees	$ 285,000	$ 285,000	$ 281,293	$ (3,707)
Probate court fines and fees	300,250	300,250	237,871	(62,379)
Magistrate court fines and fees	51,500	51,500	56,770	5,270
Total fines and forfeitures	636,750	636,750	575,934	(60,816)
Other				
Election qualifying fees	-	-	331	331
Flood control	2,000	2,000	1,475	(525)
Interest	3,800	3,800	1,522	(2,278)
Surplus sales	75,000	75,000	-	(75,000)
Scrap	2,000	2,000	-	(2,000)
Transfers	190,844	190,844	38,825	(152,019)
Miscellaneous	16,150	16,150	37,806	21,656
Total other	289,794	289,794	79,959	(209,835)
Total revenues	12,402,533	12,869,538	11,907,611	(961,927)
EXPENDITURES				
General government				
Governing body	179,190	179,428	174,504	(4,924)
County manager	174,776	178,553	178,479	(74)
Elections office	138,863	139,075	120,953	(18,122)
Administration	1,817,143	1,956,833	1,875,390	(81,443)
Government center complex	-	32,707	32,704	(3)
Finance	243,274	243,724	204,339	(39,385)
Technical support	343,685	344,003	244,892	(99,111)
Tax commissioner	286,525	287,161	284,307	(2,854)
Tax assessor	433,995	434,763	380,212	(54,551)
Board of equalization	5,967	5,967	3,544	(2,423)
General government buildings	206,118	207,561	206,785	(776)
Superior court	118,844	125,835	125,658	(177)
Clerk of superior court	294,689	295,219	280,860	(14,359)
District attorney	92,786	104,571	101,629	(2,942)
Child support	8,600	8,600	6,084	(2,516)
Magistrate court	164,179	167,993	167,824	(169)
Probate court	143,464	143,676	121,603	(22,073)
Juvenile court	91,952	91,952	89,848	(2,104)
Public defender	68,418	76,390	76,302	(88)
Planning and zoning	211,039	222,115	218,408	(3,707)
Total general government	5,023,507	5,246,126	4,894,325	(351,801)
Public safety				
Sheriff	2,901,078	2,909,665	2,727,660	(182,005)
Community service	5,968	5,968	-	(5,968)
Fire	621,477	659,012	656,520	(2,492)
Emergency management	375,000	465,458	465,412	(46)
Coroner	19,637	19,690	16,412	(3,278)
Total public safety	3,923,160	4,059,793	3,866,004	(193,789)
Highways and streets				
Vehicle and equipment maintenance	208,278	209,908	209,108	(800)
Public works	1,378,686	1,380,806	1,222,946	(157,860)
Total highways and streets	1,586,964	1,590,714	1,432,054	(158,660)

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL - Continued
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Cash Basis			
	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES - Continued				
Health and welfare				
Family and children services	$ 32,200	$ 32,200	$ 31,938	$ (262)
Health department	121,000	196,148	189,346	(6,802)
Emergency medical services	24,200	24,200	23,779	(421)
Rural transportation	171,909	183,504	183,020	(484)
Senior citizens	138,555	145,834	143,496	(2,338)
Soil & waste conservation	750	750	500	(250)
Home delivered meals	88,111	88,217	82,844	(5,373)
Total health and welfare	576,725	670,853	654,923	(15,930)
Culture and recreation				
Library	70,008	70,008	68,117	(1,891)
Boys and girls club	5,775	5,775	2,702	(3,073)
Recreation	726,993	728,273	726,977	(1,296)
Economic development	107,807	107,913	97,790	(10,123)
Total culture and recreation	910,583	911,969	895,586	(16,383)
Other				
Cooperative extension service	77,075	80,381	66,976	(13,405)
Airport	78,818	78,818	47,603	(31,215)
Forestry	18,759	18,785	17,764	(1,021)
Human development	112,957	117,602	117,172	(430)
Recycling center	52,800	53,259	53,259	-
Animal shelter	41,185	41,238	38,304	(2,934)
Total other	381,594	390,083	341,078	(49,005)
Total Expenditures	12,402,533	12,869,538	12,083,970	(785,568)
Other financing sources				
Transfer In	-	-	238,000	238,000
Transfer (out)	-	-	(452,115)	(452,115)
Net change in fund balance	$ -	$ -	$ (390,474)	$ (390,474)

MCDUFFIE COUNTY
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Jail Fund – to account for fines charged by the County that are to be used for jail improvements.

Drug Task Force Fund – to account for add-on fees received from fines to be used to assist with drug enforcement needs.

Wireless Emergency Telephone System Fund – to account for collection of wireless 911 phone surcharges used for operation and maintenance of the 911 phone system.

Landfill Surcharge Fund – to account for fees received from Solid Waste.

Hotel/Motel Fund – to account for tax to be used for tourism-related purposes.

Law Library Fund– to account for receipt of fee revenue generated to support the legal library for the McDuffie County court system.

Juvenile Probation Fund – to account for fee revenue generated for juvenile probation.

Emergency Telephone System Fund – The Emergency Telephone System Fund is used to account for the collection of 911 phone surcharges used for operation and maintenance of the 911 telephone system.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Community Development Block Grant Fund - to account for capital projects funded by Community Development Block Grant funds.

Special Purpose Local Option Sales Tax IV Fund – to account for property acquisition and construction of projects designated to be funded by revenue from local option sales tax collections for the years 2004 – 2008.

Stimulus Fund - to account for capital projects funded by Stimulus funds.

MCDUFFIE COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Special Revenue Funds								Capital Projects Funds				
	Jail	Law Library	Juvenile Probation	Drug Task Force	Hotel/ Motel Tax	Wireless Emergency Telephone System	Landfill Surcharge	Emergency Telephone System	Stimulus Fund	SPLOST IV	Community Development Block Grant	Other Capital Projects	Total Nonmajor Governmental Funds
Assets													
Assets													
Cash	$ 379,396	$ 92,121	$ 44,025	$ 204,788	$ -	$ 181,738	$ 137,180	$ 159,132	$ -	$ 542,232	$ 129	$ -	$ 1,740,741
Interfund receivables	-	-	-	-	-	-	-	1,303	-	9,564	7,582	-	18,449
Intergovernmental receivables	-	-	-	-	9,122	78,856	-	63,314	-	-	-	-	151,292
Total Assets	$ 379,396	$ 92,121	$ 44,025	$ 204,788	$ 9,122	$ 260,594	$ 137,180	$ 223,749	$ -	$ 551,796	$ 7,711	$ -	$ 1,910,482
Liabilities and Fund Balances													
Liabilities													
Accounts payable	$ 361	$ -	$ -	$ -	$ -	$ 1,298	$ -	$ 43,913	$ -	$ 3,816	$ 267	$ -	$ 49,655
Interfund payables	972	430	-	75	9,122	-	-	86,905	-	-	17,033	-	114,537
Total Liabilities	1,333	430	-	75	9,122	1,298	-	130,818	-	3,816	17,300	-	164,192
Fund balances													
Capital Projects	-	-	-	-	-	-	-	-	-	547,980	(9,589)	-	538,391
Special Revenues	378,063	91,691	44,025	204,713	-	259,296	137,180	92,931	-	-	-	-	1,207,899
Total Fund Balances	378,063	91,691	44,025	204,713	-	259,296	137,180	92,931	-	547,980	(9,589)	-	1,746,290
Total Liabilities and Fund Balances	$ 379,396	$ 92,121	$ 44,025	$ 204,788	$ 9,122	$ 260,594	$ 137,180	$ 223,749	$ -	$ 551,796	$ 7,711	$ -	$ 1,910,482

MCDUFFIE COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds								Capital Projects Funds				
	Jail	Law Library	Juvenile Probation	Drug Task Force	Hotel/ Motel Tax	Wireless Emergency Telephone System	Landfill Surcharge	Emergency Telephone System	Stimulus Fund	SPLOST IV	Community Development Block Grant	Other Captial Projects	Total Nonmajor Governmental Funds
Revenues													
Fees for services	$ -	$ -	$ 2,340	$ -	$ -	$ -	$ 31,073	$ -	$ -	$ -	$ -	$ -	$ 33,413
Fines and forfeitures	60,063	11,171		13,208	-	-	-	-	-	-	-	-	84,442
Intergovernmental	-	-	-	-	-	-	-	-	11,743	-	160,181	36,300	208,224
Interest income	132	64	-	69	-	56	40	77	-	332	-	-	770
Taxes	-	-	-	-	157,478	-	-	-	-	-	-	-	157,478
Miscellaneous	-	-	-	-	-	103,518	-	269,568	-	-	-	-	373,086
Total Revenues	60,195	11,235	2,340	13,277	157,478	103,574	31,113	269,645	11,743	332	160,181	36,300	857,413
Expenditures													
Current													
General government	-	-	-	-	-	-	-	-		-	-	-	-
Public safety	59,815	18,332	1,449	13,055	119,478	6,917	-	542,773		-	-	-	761,819
Intergovernmental													
Intergovernmental	-	-	-	-	-	-	-	-		-	-	-	-
Capital outlay													
General government													
Public works	11,857	-	-	141	-	-	6,213	-	11,743	170,812	156,805	5,971	363,542
Total Expenditures	71,672	18,332	1,449	13,196	119,478	6,917	6,213	542,773	11,743	170,812	156,805	5,971	1,125,361
Excess (deficiency) of revenues over expenditures	(11,477)	(7,097)	891	81	38,000	96,657	24,900	(273,128)	-	(170,480)	3,376	30,329	(267,948)
Transfers in (out)	-	-	-	-	(38,000)	-	-	189,989	-	-	-	-	151,989
Net Change	(11,477)	(7,097)	891	81	-	96,657	24,900	(83,139)	-	(170,480)	3,376	30,329	(115,959)
FUND BALANCES, BEGINNING OF YEAR	389,540	98,788	43,134	204,632	-	162,639	112,280	176,070	-	718,460	(12,965)	(30,329)	1,862,249
FUND BALANCES, END OF YEAR	$ 378,063	$ 91,691	$ 44,025	$ 204,713	$ -	$ 259,296	$ 137,180	$ 92,931	$ -	$ 547,980	$ (9,589)	$ -	$ 1,746,290

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
JAIL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines and forfeitures	$ 34,300	$ 34,300	$ 39,297	$ 4,997
Intergovernmental	21,000	21,000	20,766	(234)
Interest income	200	200	132	(68)
Prior year	51,500	51,500	-	(51,500)
Total Revenues	107,000	107,000	60,195	(46,805)
Expenditures				
Public safety	107,000	107,000	71,689	(35,311)
Total Expenditures	107,000	107,000	71,689	(35,311)
Net Change in Fund Balance	$ -	$ -	(11,494)	$ (11,494)
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			17	
Fund Balance, beginning of year			389,540	
Fund Balance, end of year			$ 378,063	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
LAW LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines and forfeitures	$ 15,800	$ 15,800	$ 11,170	$ (4,630)
Interest Income	1,300	1,300	65	(1,235)
Other	30	30	-	-
Prior year	-	1,202	-	(1,202)
Total Revenues	17,130	18,332	11,235	(7,067)
Expenditures				
General government	17,130	18,332	18,332	-
Total Expenditures	17,130	18,332	18,332	-
Net Change in Fund Balance	$ -	$ -	(7,097)	$ (7,067)
Fund Balance, beginning of year			98,788	
Fund Balance, end of year			$ 91,691	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
JUVENILE PROBATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 3,000	$ 3,000	$ 2,340	$ (660)
Total Revenues	3,000	3,000	2,340	(660)
Expenditures				
Public safety	3,000	3,000	1,449	(1,551)
Total Expenditures	3,000	3,000	1,449	(1,551)
Net Change in Fund Balance	$ -	$ -	891	$ 891
Fund Balance, beginning of year			43,134	
Fund Balance, end of year			$ 44,025	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
DRUG TASK FORCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines and forfeitures	$ 9,000	$ 9,000	$ 9,004	$ 4
Intergovernmental	10,000	10,000	4,204	(5,796)
Interest income	200	200	69	(131)
Prior year	25,200	25,200	-	(25,200)
Total Revenues	44,400	44,400	13,277	(31,123)
Expenditures				
Public safety	44,400	44,400	13,196	(31,204)
Total Expenditures	44,400	44,400	13,196	(31,204)
Net Change in Fund Balance	$ -	$ -	81	$ 81
Fund Balance, beginning of year			204,632	
Fund Balance, end of year			$ 204,713	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Taxes	$ 185,000	$ 185,000	$ 159,513	$ (25,487)
Total Revenues	185,000	185,000	159,513	(25,487)
Expenditures				
General government	118,697	118,697	115,645	(3,052)
Total Expenditures	118,697	118,697	115,645	(3,052)
Other Financing Sources				
Transfers to General Fund	(66,303)	(66,303)	(47,696)	18,607
Net Change in Fund Balance	$ -	$ -	(3,828)	$ (3,828)
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			3,828	
Fund Balance, beginning of year			-	
Fund Balance, end of year			$ -	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
WIRELESS EMERGENCY TELEPHONE SYSTEM FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 35,000	$ 35,000	$ 24,662	$ (10,338)
Interest income	100	100	56	(44)
Total Revenues	35,100	35,100	24,718	(10,382)
Expenditures				
Public safety	35,100	35,100	6,012	(29,088)
Total Expenditures	35,100	35,100	6,012	(29,088)
Net Change in Fund Balance	$ -	$ -	18,706	$ 18,706
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			77,951	
Fund Balance, beginning of year			162,639	
Fund Balance, end of year			$ 259,296	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
LANDFILL SURCHARGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 35,000	$ 35,000	$ 31,073	$ (3,927)
Interest income	100	100	40	(60)
Prior year	-	16,958	-	(16,958)
Total Revenues	35,100	52,058	31,113	(20,945)
Expenditures				
Capital outlay	35,100	52,058	52,058	-
Total Expenditures	35,100	52,058	52,058	-
Net Change in Fund Balance	$ -	$ -	(20,945)	$ (20,945)
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			45,845	
Fund Balance, beginning of year			112,280	
Fund Balance, end of year			$ 137,180	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
EMERGENCY TELEPHONE SYSTEM FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amount			Variance with Final Budget -
	Original	Final	Actual Amount	Over (Under)
REVENUES				
Charges for services	$ 300,500	$ 300,500	$ 353,526	$ 53,026
Interest income	100	100	77	(23)
Total revenues	300,600	300,600	353,603	53,003
EXPENDITURES				
Public safety	602,856	602,856	543,636	(59,220)
Total expenditures	602,856	602,856	543,636	(59,220)
Revenues over Expenditures	(302,256)	(302,256)	(190,033)	112,223
OTHER FINANCING SOURCES				
Transfers in	302,256	200,000	389,989	189,989
Total Other Financing Sources	302,256	200,000	389,989	189,989
CHANGE IN FUND BALANCE	$ -	$ (102,256)	199,956	$ 302,212
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities:			(283,095)	
FUND BALANCE, BEGINNING OF YEAR			176,070	
FUND BALANCE, END OF YEAR			$ 92,931	

FIDUCIARY FUNDS

Agency funds are used to account for assets that are held by the government as the agent for individuals, private organizations, other governments and/or other funds.

Clerk of Court – to account for the receipt and disbursement of court ordered fines and fees made on behalf of third parties.

Probate Court – to account for the receipt and disbursement of funds held on behalf of others and fees for services provided under State law.

Sheriff – to account for the receipt and disbursement of fees and services provided under State law.

Tax Commissioner - to account for tax billings, collections, and remittances held by the Tax Commissioner on behalf of other governmental agencies.

Magistrate's Court – to account for the receipt and disbursement of bonds and court ordered fines and fees made on behalf of third parties.

MCDUFFIE COUNTY, GEORGIA
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
DECEMBER 31, 2011

	Agency Funds					
	Clerk of Court	Probate Court	Sheriff	Tax Commissioner	Magistrate Court	Total
Assets						
Assets						
Cash	$ 383,426	$ 34,814	$ 816,129	$ 250,245	$ 13,031	$ 1,497,645
Total Assets	$ 383,426	$ 34,814	$ 816,129	$ 250,245	$ 13,031	$ 1,497,645
Liabilities						
Liabilities						
Due to others	$ 383,426	$ 34,814	$ 816,129	$ 250,245	$ 13,031	$ 1,497,645
Total Liabilities	$ 383,426	$ 34,814	$ 816,129	$ 250,245	$ 13,031	$ 1,497,645

MCDUFFIE COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Agency Funds					
	Clerk of Court	Probate Court	Sheriff	Tax Commissioner	Magistrate Court	Total
Assets						
Cash						
Balance at beginning of year	$ 255,869	$ 38,284	$ 774,542	$ 180,093	$ 13,182	$ 1,261,970
Additions	739,162	473,012	1,140,459	18,072,059	301,586	20,726,278
Deletions	611,605	476,482	1,098,872	18,001,907	301,737	20,490,603
Balance at end of year	383,426	34,814	816,129	250,245	13,031	1,497,645
Total Assets	$ 383,426	$ 34,814	$ 816,129	$ 250,245	$ 13,031	$ 1,497,645
Liabilities						
Due to others						
Balance at beginning of year	$ 255,869	$ 38,284	$ 774,542	$ 180,085	$ 13,183	$ 1,261,963
Additions	739,162	473,012	1,140,459	18,072,059	301,586	20,726,278
Deletions	611,605	476,482	1,098,872	18,001,907	301,737	20,490,603
Balance at end of year	383,426	34,814	816,129	250,245	13,031	1,497,645
Total Liabilities	$ 383,426	$ 34,814	$ 816,129	$ 250,245	$ 13,031	$ 1,497,645

This page left blank intentionally.

SUPPLEMENTARY INFORMATION

John P. Gillion, Jr., CPA, PFS, CFS, CVA, CFP®
Brenda F. Carroll, CPA, CFE, CIA, CICA, FCPA, CSEP, PFS
Rep E. Whiddon, CPA, CVA

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
McDuffie County, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McDuffie County, Georgia as of and for the year ended December 31, 2011 which collectively comprise McDuffie County, Georgia's basic financial statements, and have issued our report thereon dated June 29, 2012. We did not audit the financial statements of the McDuffie County Health Department, a discretely presented component unit, whose statements reflect total assets of $131,878 and total net assets of $83,878 as of June 30, 2011, and total revenues of $481,850 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McDuffie County Health Department, is based on the report of 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.

Internal Control Over Financial Reporting

Management of McDuffie County, Georgia, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered McDuffie County, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McDuffie County, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McDuffie County, Georgia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting .It is listed below as finding 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDuffie County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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*.

McDuffie County, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit McDuffie County, Georgia's response, and accordingly, we do not express an opinion on it.

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 29, 2012

Baird & Company CPAs, LLC
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL ADVISORS

John P. Gillion, Jr., CPA, PFS, CFS, CVA, CFP®
Brenda F. Carroll, CPA, CFE, CIA, CICA, FCPA, CSEP, PFS
Rep E. Whiddon, CPA, CVA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
McDuffie County, Georgia

Compliance

We have audited the compliance of McDuffie County, Georgia, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. McDuffie County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of McDuffie County, Georgia's management. Our responsibility is to express an opinion on McDuffie County, Georgia's compliance based on our audit.

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

In our opinion, McDuffie County, Georgia, complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A- 133.

Internal Control Over Compliance

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

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

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

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

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 29, 2012

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass Thru Grantor/ Program Title	Federal CFDA Number	Grantor/ Contract Number	Program Expenditures
Department of Transportation			
(Passed through the Georgia Department of Transportation)			
Transit Operation Assistance	20.509	2086-00-25-8202.0452	$ 24,900
Transit Operating Assistance	20.509	T-003123	64,825
Total Department of Transportation			89,725
Department of Health and Human Services			
(Passed through CSRA Regional Development Center)			
Title III/Social Services Block Grant	93.044	10-08-0452	9,546
Title III/Social Services Block Grant	93.044	11-08-0452	7,069
			16,615
(Passed through Economic Opportunities Authority)			
Community Block Grant/EOA Nutrition	93..569	10-08-0452	16,234
Community Block Grant/EOA Nutrition	93.2569	11-08-0452	6,800
			23,034
Total Department of Health and Human Services			39,649
Department of Housing and Urban Development			
Special Project Appropriations	14.239	07m-y-094-1-2970	125,455
Special Project Appropriations	14.239	08m-y-094-1-6011	31,350
Total Department of Housing and Urban Development			156,805
Department of Agriculture			
Water and Waste disposal Systems for Rural Communities	10.76	na	667,707
Department of Justice			
Juvenile Accountability Incentive Block Grant	16.523	JB-08ST-0002	9,775
Crimional Justice Coordinating council	16.562	2009-SU-B9-0003	11,743
Total Department of Justice			21,518
Total Expenditures of Federal Awards			$ 975,404

MCDUFFIE COUNTY, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of McDuffie County, Georgia under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non – Profit Organizations.* Because the schedule presents only a selected portion of the operations of McDuffie County, Georgia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of McDuffie County, Georgia.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, Cost Principals for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3 – Non-cash Awards

McDuffie County, Georgia did not receive any non-cash federal awards during the year ended December 31, 2011.

Note 4 – USDA Loans

In June, 2008, the Water Fund entered into a bond agreement for $4,109,000 bearing interest of 4.5%, with the United States Department of Agriculture to fund improvements to the water system within McDuffie County. The County began making annual interest and principal payments in June, 2008. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2012	$ 43,811	$ 179,485	$ 223,296
2013	45,782	177,514	223,296
2014	47,842	175,454	223,296
2015	49,995	173,301	223,296
2016	52,245	171,051	223,296
2017-2021	298,679	817,801	1,116,480
2022-2026	372,207	744,273	1,116,480
2027-2031	463,839	652,641	1,116,480
2032-2036	578,027	538,453	1,116,480
2037-2041	720,326	396,154	1,116,480
2042-2046	897,657	218,823	1,116,480
2047-2048	435,907	10,685	446,592
Total	$ 4,006,317	$ 4,255,635	$ 8,261,952

MCDUFFIE COUNTY, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

In April, 1999, the Water Fund entered into a bond agreement for $1,181,900 bearing interest of 4.5% with the United States Department of Agriculture to fund water improvements made within McDuffie County. The County began making annual interest and principal payments in May, 1999. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2012	$ 17,447	$ 46,945	$ 64,392
2013	19,002	45,390	64,392
2014	19,875	44,517	64,392
2015	20,788	43,604	64,392
2016	21,743	42,649	64,392
2017-2021	124,648	197,312	321,960
2022-2026	156,034	165,926	321,960
2027-2031	195,322	126,638	321,960
2032-2036	244,503	77,457	321,960
2037-2039	191,135	23,219	214,354
Total	$ 1,010,497	$ 813,657	$ 1,824,154

In March, 2007, the Sewer Fund entered into a bond agreement for $1,000,000 bearing interest of 4.125%, with the United States Department of Agriculture to fund sewer improvements made within McDuffie County. The County made an interest only payment in March, 2010 and began making monthly principal and interest payments in April, 2010. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2012	$ 12,726	$ 39,268	$ 51,720
2013	12,975	38,745	51,720
2014	13,521	38,199	51,720
2015	14,089	37,631	51,720
2016	14,682	37,038	51,720
2017-2021	83,202	175,398	258,600
2022-2026	102,224	156,376	258,600
2027-2031	125,595	133,005	258,600
2032-2036	154,310	104,290	258,600
2037-2041	189,588	69,012	258,600
2042-2046	234,862	29,785	264,647
Total	$ 957,774	$ 858,747	$ 1,816,521

MCDUFFIE COUNTY, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

In March, 2007, the Sewer Fund entered into a bond agreement for $719,000 bearing interest of 4.125%, with the United States Department of Agriculture to fund sewer improvements made within McDuffie County. The County made an interest only payment in March, 2010 and began making monthly principal and interest payments in April, 2010. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2012	$ 8,955	$ 28,233	$ 37,188
2013	9,331	27,857	37,188
2014	9,723	27,465	37,188
2015	10,132	27,056	37,188
2016	10,558	26,630	37,188
2017-2021	59,832	126,108	185,940
2022-2026	73,508	112,432	185,940
2027-2031	90,318	95,622	185,940
2032-2036	110,967	74,973	185,940
2037-2041	136,337	49,603	185,940
2042-2045	168,973	18,313	187,286
Total	$ 688,634	$ 614,292	$ 1,302,926

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. Summary of Auditors' Results

A. The auditors' report expresses an unqualified opinion on the financial statements of McDuffie County, Georgia.

B. One significant deficiency disclosed during the audit of the financial statements is reported in Part II below.

C. No instances of noncompliance material to the financial statements of McDuffie County, Georgia, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

D. No significant deficiencies in internal controls over major federal award programs were disclosed during the audit.

E. The auditors' report on compliance for the major federal award programs for McDuffie County, Georgia expresses an unqualified opinion on all major federal programs.

F. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

G. Major federal program for McDuffie County, Georgia for the fiscal year ended December 31, 2011, are:

Program Name	**CFDA#**
U.S. Department of Agriculture	
Water and Waste Disposal Systems for Rural Communities	10.760

H. The threshold for determining Type A programs for McDuffie County, Georgia is $300,000.

I. McDuffie County qualified as a low risk auditee.

II. Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia

Finding 2011-01
Criteria:
All cash collected on behalf of McDuffie County should be deposited into McDuffie County bank accounts

Condition:
We found that certain bank accounts that existed were not recorded on County books.

Cause:
Funds collected by Fire Department were deposited into bank accounts maintained by that department without knowledge of County Finance Department.

Effect:
Revenue is understated.

Auditors' Recommendation:
To improve internal controls and operating efficiency, management should establish policies and procedures prohibiting departments from collecting and retaining cash. All cash collected for County activities should be deposited into County bank accounts.

II. Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia - Continued

Management's Response:

Management has policy and procedures in place regarding financial transactions. The Fire Department will follow policy by closing all accounts and depositing funds into the general fund bank account. This department will no longer collect revenues, bill for services or accept any donations which are not deposited into the general fund.

III Findings and Questioned Costs Related to the Audit of Federal Awards

There were no findings noted for the year ended December 31, 2011, that are required to be reported in accordance with OMB Circular A-133 criteria.

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

IV. Prior Audit Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia

Finding 2010-01
Criteria:
Purchase orders should be issued and approved prior to the ordering of vendor supplies.

Condition:
Upon review of sixty three purchase orders issued by the Road Department, only one was processed prior to receiving the goods or services invoiced.

Cause:
Goods and services are ordered and received prior to issuance of approved purchase orders.

Effect:
Items are delivered and services are received by the County without proper approval. Purchased items may not have been included in the budget.
Auditors' Recommendation:
To improve internal controls and operating efficiencies management should establish policies and procedures that would prevent employees from ordering goods or services without an approved purchase order.

Management's Response:
McDuffie does concur with this finding and will enforce the County purchasing policy. All departments including the Road Department have been notified on several occasions to be sure purchase orders are properly approved prior to purchasing goods or services. Management will take additional steps as necessary to enforce this policy.

Finding 2010-02
Criteria:
In competitive pricing situations, all vendors should be supplied with the same specifications and pricing information.

Condition:
Certain vendors were being provided with pricing information that was not available to all vendors.

Cause:
Employees are providing a vendor pricing information which allows an unfair advantage to select vendors.

Effect:
Vendors will no longer be in a competitive pricing situation.

Auditors' Recommendation:
In competitive pricing situations all vendors should be supplied with the same specifications and pricing information.

Management's Response
McDuffie County will be further enforcing the purchasing policy. The County Manager is responsible for approving all purchase orders over $1,000 and will monitor expenditures to ensure department heads are supplying vendors with the same specifications and pricing information.

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

IV. Prior Audit Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia - Continued

Finding 2010-03
Criteria:
Policy is that employees are paid for actual time worked at a stipulated pay rate.

Condition:
Employees issued payment vouchers in excess of hours worked.

Cause:
Employees issued payment vouchers in excess of hours worked.

Effect:
County over paid for services provided.

Auditors' Recommendation:
To improve internal controls and operating efficiencies management should establish policies and procedures that would prevent employees from adjusting time sheets without approval.

Management's Response
McDuffie County implemented an electronic time and attendance system. Department heads and a few administrative personnel were allowed to add hours to the time and attendance system for on call pay. It was discovered that an employee was being paid for hours not worked, as directed by the then department head. That department head is no longer employed with McDuffie County. Upon this discovery, the employee had to repay the funds and permissions were removed from the department heads immediately.

Finding 2010-04
Criteria:
Pursuant to O.C.G.A. 16-10-6(c)(3) elected officials are only allowed to conduct business of $800 per calendar quarter with County.

Condition:
County Commissioners are in violation of State Statute.

Cause:
County Commissioners are in violation of State Statute.

Effect:
Purchasing and bidding process is put into question due to related party transactions.

Auditors' Recommendation:
To improve internal controls and operating efficiencies management should comply with state statute

Management's Response
McDuffie County was advised of the State Statue by the County Attorney in January 2011. This information is disclosed in the County commission minutes on January 5, 2011. The County Manager and Finance Director will maintain expenditures within these limitations. The County Commissioners will be responsible for providing related parties information to the County prior to the purchase of goods or services.

The 2010 findings have been resolved as of December 31, 2011.

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 1999 - 2003
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Project: SPLOST III
McDuffie County/City of Thomson, Georgia
City of Dearing, Georgia
Street and Capital Outlay Projects

Purpose (in funding sequence)	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Funded simultaneously					
Hospital Expansion	$ 4,000,000	$ 4,000,000	$ -	$ 4,000,000	100%
Industrial Development	3,000,000	3,000,000	-	3,000,000	100%
Road Construction and Improvements	1,000,000	1,000,000	-	1,000,000	100%
Water and Sewer Expansion	4,500,000	4,500,000	-	4,500,000	100%
Hospital Expansion	500,000	500,000	-	500,000	100%
Water and Sewer Expansion	6,000,000	1,878,091	-	1,878,091	100%
Totals	$ 19,000,000	$ 14,878,091	$ -	$ 14,878,091	

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2004-2008
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Project: SPLOST IV
McDuffie County/City of Thomson, Georgia
City of Dearing, Georgia
Street and Capital Outlay Projects

Purpose (in funding sequence)	Estimated Cost	Reallocation Cost	Prior Years	Current Year	Total
Funded simultaneously					
City of Thomson					
Ladder truck	$ 517,000	$ 517,000	$ 517,000	$ -	$ 517,000
Breathing appartus	65,000	64,242	64,242	-	64,242
T/E Project	260,000	260,000	259,212	-	259,212
Big Creek	2,515,000	3,370,550	3,370,550	-	3,370,550
Scada	175,000	143,273	143,273	-	143,273
Other city water/sewer projects	721,000	130,032	130,032	-	130,032
Development Authority					
Economic Development	1,900,000	1,710,250	1,057,251	221,655	1,278,906
Thomson Company	500,000	689,750	689,750	-	689,750
McDuffie County					
Boys & Girls Club	-	117,909	116,894	-	116,894
Water and Sewer	2,906,998	768,145	633,380	-	633,380
Airport	-	8,240	8,240	-	8,240
Road Construction and Improvements	2,721,482	2,795,178	2,790,900	(89,948)	2,700,952
Recreation	2,500,000	2,453,644	2,512,123	-	2,512,123
Technology	50,000	-	-	-	-
Land	-	25,621	25,596	-	25,596
Public Safety					
Pumpers (2)	243,992	34,440	-	-	-
Fire Station #1	1,044,114	1,086,477	1,179,433	-	1,179,433
Brush trucks (2)	-	61,340	61,340	-	61,340
Rescue Truck	61,340	-	-	-	-
Information Technology	50,000	-	-	-	-
Gear	520	47,810	35,243	24,695	59,938
Government Complex	1,600,000	2,514,038	2,496,157	14,410	2,510,567
Government Complex - IT	100,000	101,552	97,255	-	97,255
Senior Citizens Center	-	23,397	21,826	-	21,826
Department of Family and Children's	-	3,999	-	-	-
McDuffie County Hospital					
Ambulances (3)	270,000	234,630	234,630	-	234,630
Cardiac monitor	-	41,928	41,928	-	41,928
Hospital Expansion	1,000,000	1,000,000	1,000,000	-	1,000,000
Town of Dearing					
Fire Station	-	25,000	25,000	-	25,000
Gym Renovations	-	78,331	78,331	-	78,331
Totals	$ 19,201,446	$ 18,306,776	$ 17,589,586	$ 170,812	$ 17,760,398

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2009-2014
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Project: SPLOST V
McDuffie County/City of Thomson, Georgia
City of Dearing, Georgia
Street and Capital Outlay Projects

Purpose (in funding sequence)	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Funded simultaneously						
City of Thomson						
City Street Resurfacing	$ 700,000	$ 700,000	$ 44,900	$ 66,528	$ 111,428	16%
City Fire Engine	300,000	300,000	-	283,997	283,997	95%
City Station #2 improvements	100,000	100,000	-	-	-	0%
Skate Park	300,000	300,000	158,850	26,873	185,723	62%
Walking Track	25,000	25,000	-	-	-	0%
Recreation other	690,000	690,000	-	-	-	0%
Land Acquisition for City Parks	108,000	108,000	-	-	-	0%
Development Authority						
Land Development	250,000	250,000	-	-	-	0%
Land Acquisition	250,000	250,000	-	-	-	0%
Thomson Company Redevelopment	250,000	250,000	-	-	-	0%
Infrastructure	150,000	150,000	-	-	-	0%
Information Technology	50,000	50,000	-	-	-	0%
Landscaping/Signage	50,000	50,000	-	-	-	0%
McDuffie County						
Government Center Complex						
Government Center	11,510,428	11,510,428	2,232,349	2,008,093	4,240,442	37%
Water/Sewer						
Water Line Replacement	120,000	120,000	-	-	-	0%
Sewer Plant Improvement	1,000,000	1,000,000	-	7,470	7,470	1%
Usry Pond Improvement	750,000	750,000	-	-	-	0%
Augusta Road Plant Project	1,250,000	1,250,000	-	9,648	9,648	1%
Raising Usry Pond Dam	690,000	690,000	-	-	-	0%
Roads & Streets						
County Road Resurfacing	1,800,000	1,800,000	185,602	154,527	340,129	19%
Airport						
Runway Overlay	200,000	200,000	-	41,609	41,609	21%
Recreation						
Restrooms - Sweetwater Park Football	75,000	75,000	-	-	-	0%
Bleachers for Gym - Sweetwater Park	57,000	57,000	-	-	-	0%
Outdoor Bleachers Cover for Shade	75,000	75,000	-	-	-	0%
Walking Track Improvements - Sweetwater	60,000	60,000	-	-	-	0%
Information Technology						
New Computer Applications & Improvements	500,000	500,000	-	500,000	500,000	100%
Public Safety						
EMS, 2 Ambulances	225,000	225,000	-	-	-	0%
County Fire Engine	300,000	300,000	-	291,621	291,621	97%
County Brush Truck	100,000	100,000	-	-	-	0%
County Fire Service Truck	150,000	150,000	-	-	-	0%
County Station #4	150,000	150,000	-	-	-	0%
McDuffie County Hospital						
New Inpatient Unit (Partial for Debt Service)	3,000,000	3,000,000	-	-	-	0%
Town of Dearing						
City Hall Playground Area & Bill Eubanks Improvement	150,000	150,000	-	-	-	
Totals	$ 25,385,428	$ 25,385,428	$ 2,621,701	$ 3,390,366	$ 6,012,067	

See independent auditors' report.

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES AND SOURCE AND APPLICATION OF FUNDS
FOR COMMUNITY DEVELOPMENT BLOCK GRANTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Project: Community Development Block Grant
Public Facilities: Community Housing Investment Program
Grant Number: 07m-y-094-1-2970
Commencement of Project : August 2007

Purpose	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Improvements	$287,479	$222,654	$64,825	$287,479	100%

Project: Community Development Block Grant
Public Facilities: Community Housing Investment Program
Grant Number: 08m-y-094-1-6011
Commencement of Project : September 2008

Purpose	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Improvements	$287,479	$3,453	$91,979	$95,432	33%

Project: Community Development Block Grant
Public Facilities: Senior Citizens - Addition
Grant Number: 09-cr-5111
Commencement of Project : September 2009

Purpose	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Improvements	$395,209	$389,238	$5,971	$395,209	100%

See independent auditors' report.