ANNUAL FINANCIAL REPORT

MCDUFFIE COUNTY,
GEORGIA

YEAR ENDED DECEMBER 31, 2012

MCDUFFIE COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2012

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Baird & Company CPAs, LLC
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
McDuffie County, Georgia

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McDuffie County, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the McDuffie County Health Department, a discretely presented component unit, whose statements reflect total assets of $108,257 and total net position of $76,512 as of June 30, 2012, and total revenues of $458,709 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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McDuffie County, Georgia, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McDuffie County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MCDUFFIE COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2012

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, 2012. We encourage readers to consider the information presented in this analysis along with the complete financial statements and notes in the 2012 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 position presents information on all the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net position 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 position* 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 16-17 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 28 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 three major governmental funds – General Fund, SPLOST V, and Debt Service fund.

Proprietary Funds

The Government has two types of proprietary funds used to account for activities that operate similar to commercial enterprises found in the private sector. The proprietary funds are the Solid Waste, Water and Sewer funds. These are funds that charge fees for services provided to outside customers including other local governments and are known as enterprise funds.

The proprietary fund statements can be found on pages 23-25 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. However, 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 73-74 of this report.

Government-wide Financial Analysis

Net position

Net position 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 position for fiscal year 2011 and 2012.

McDuffie County's Net Position
December 31, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Assets						
Current and other assets	$11,879,648	$12,490,300	$427,422	$913,675	$12,531,298	$13,403,975
Capital assets, net	40,771,005	41,965,550	719,586	20,037,640	41,266,363	62,003,190
Total assets	52,650,653	54,455,850	1,147,008	20,951,315	53,797,661	75,407,165
Liabilities						
Current and other liabilities	2,088,931	1,315,641	209,706	149,610	2,298,637	1,465,251
Long-term liabilities	14,110,000	15,731,199	324,360	7,001,157	14,434,360	22,732,356
Total liabilities	16,198,931	17,046,840	534,066	7,150,767	16,732,997	24,197,607
Net Position						
Invested in capital assets, net related debt	26,661,005		495,358	13,374,418	27,156,363	13,374,418
Restricted - Debt Service	2,000,616	1,418,707			2,000,616	1,418,707
Unrestricted	7,790,101	35,990,303	117,584	426,130	7,907,685	36,416,433
Total net position	$36,451,722	$37,409,010	$612,942	$13,800,548	$37,064,664	$51,209,558

Governmental Activities

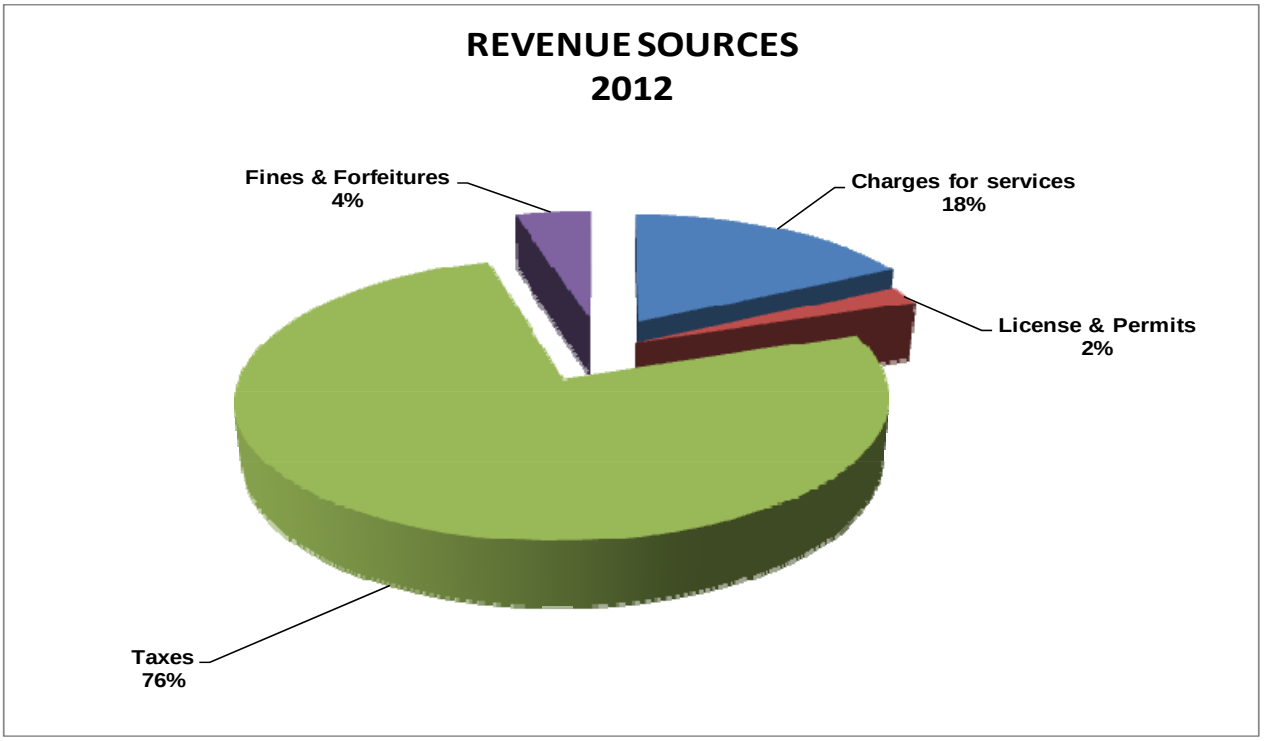
The balance of unrestricted net position, 21% in 2012 and 96% in 2011 may be used to meet the Government's obligations to citizens and creditors. The governmental net position decreased by $957,288 for 2012.

Total assets and liabilities for business-type activities decreased drastically due to the changes in the water and sewer funds. During 2012, the governing bodies of the City of Thomson, Town of Dearing and McDuffie County decided to refinance the existing debt with a new bond issued underneath the City of Thomson and McDuffie County Joint Water and Sewer Commission. This was completed in efforts to make one joint system to equalize water and sewer rates.

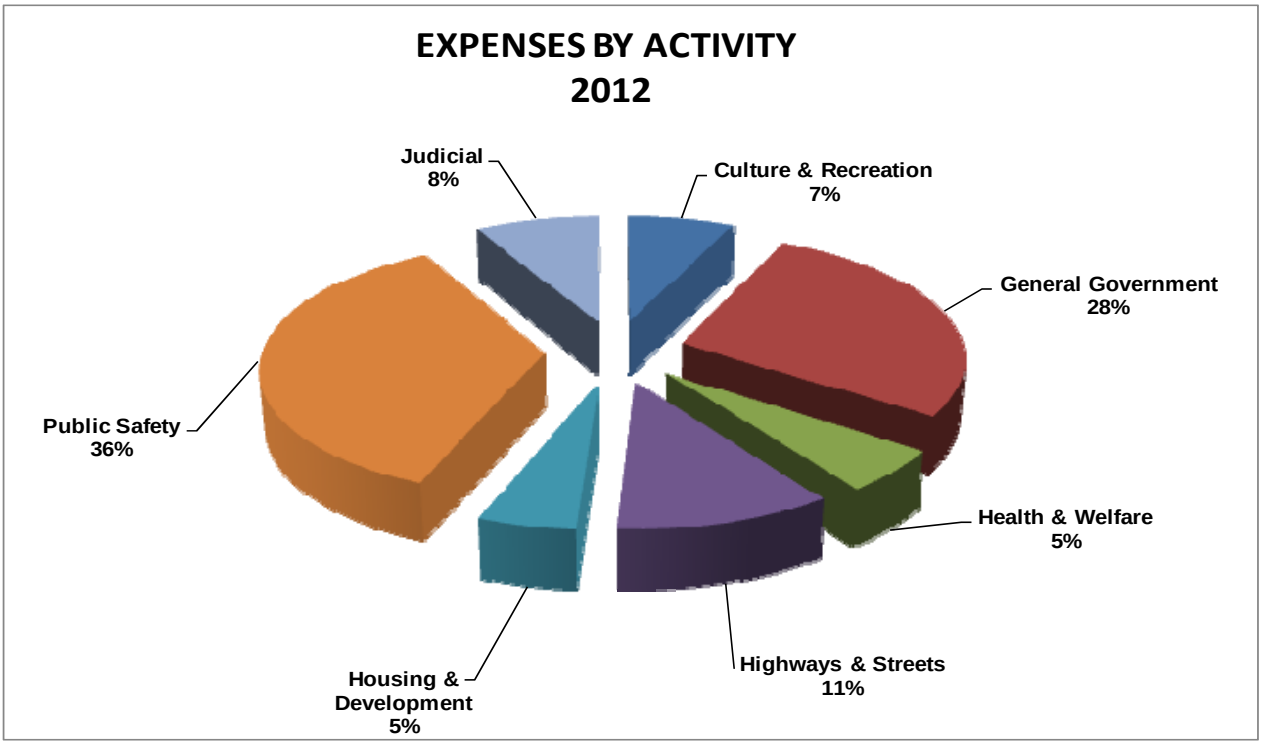
McDuffie County
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	$ 3,493,710	$ 3,722,667			$ 3,493,710	$ 3,722,667
Water Fund			405,048	694,640	405,048	694,640
Sewer Fund			52,560	90,602	52,560	90,602
Solid Waste			1,278,704	1,182,125	1,278,704	1,182,125
Operating Grants & Contributions	42,492	79,167	234,134		276,626	79,167
Capital Grants & Contributions				171,600		171,600
Total Program Revenues	3,536,202	3,801,834	1,970,446	2,138,967	5,506,648	5,940,801
General Revenues:						
Property taxes	5,257,770	5,514,723			5,257,770	5,514,723
Sales taxes	5,826,557	5,851,546			5,826,557	5,851,546
Franchise taxes	72,233	74,092			72,233	74,092
Intangible taxes	68,426	63,006			68,426	63,006
Hotel/motel taxes	173,842	157,478			173,842	157,478
Alcoholic beverage taxes	248,783	253,237			248,783	253,237
Financial institution tax	34,994	39,850			34,994	39,850
Real estate transfer tax	9,891	8,125			9,891	8,125
Insurance premium tax	650,064	608,494			650,064	608,494
Interest income	2,723	29,416	16	187	2,723	29,603
Payments in lieu of taxes	35,229	34,514			35,229	34,514
Railroad taxes	5,867	6,226			5,867	6,226
Total General Revenues	12,386,379	12,640,707	16	187	12,386,379	12,640,894
Total Revenue	15,922,581	16,442,541	1,970,462	2,139,154	17,893,027	18,581,695
Expenses:						
General government	3,977,092	6,615,139			3,977,092	6,615,139
Public safety	5,191,116	5,428,309			5,191,116	5,428,309
Highways and streets	2,517,961	2,104,967			2,517,961	2,104,967
Health & welfare	1,185,269	779,909			1,185,269	779,909
Water Fund			1,138,314	720,045	1,138,314	720,045
Sewer Fund			218,539	293,290	218,539	293,290
Solid Waste			1,456,972	1,262,012	1,456,972	1,262,012
Economic Development	885,842	583,521			885,842	583,521
Culture & recreation	956,279	986,253			956,279	986,253
Judicial	937,182	969,634			937,182	969,634
Interest	716,350	773,625			716,350	773,625
Total Expenses	16,367,091	18,241,357	2,813,825	2,275,347	19,180,916	20,516,704
Transfers Out	(746,911)	62,126	746,911	(62,126)		
Change in Assets	(957,288)	(1,689,342)	(1,016,415)	562,326	(479,881)	(1,127,016)
Ending Net Position	36,451,722	37,409,010	12,784,133	13,800,548	50,729,677	51,209,558

McDuffie County has several general revenue sources: charges for services, license and permits; fines and forfeitures, and taxes revenues. General revenues decreased by $254,328 during 2012. The chart below displays the collections of revenue by sources for 2012.

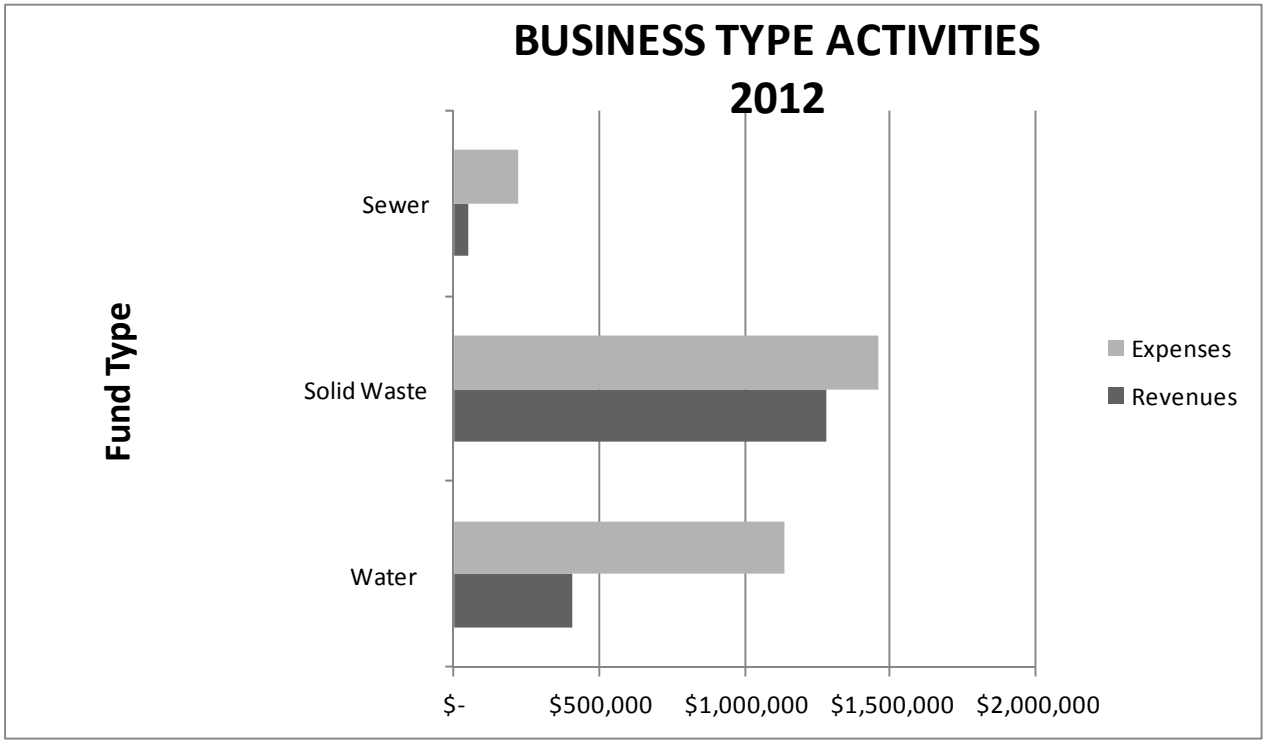


McDuffie County provides several services to the Citizens. The pie chart below provides an illustration of the expenses associated with each service.



Business-type activities

Business type activities reflected higher expenses and lower revenues for 2012. The solid waste system incurred a loss of $178,268 for the year. The illustration below shows the revenues and expenses for each business activity for 2012.



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, and the Debt Service Fund.

As of December 31, 2012, McDuffie County governmental funds, which include the major funds and various other funds, reported combined fund balances of $9,599,681.

The General Fund is the chief operating fund of the County. At December 31, 2012, total fund balance was $3,290,889. The fund balance of McDuffie County has decreased by $882,478 since 2011.

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. Costs 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, 2012, total net position amounted to $612,942 for enterprise funds compared to $13,800,548 at December 31, 2011. The reason for this dramatic change is delineated below. Net position 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.

On August 31, 2012, the Joint Water Sewer Commission, City, County and Town of Dearing elected officials issued a bond to consolidate all outstanding debt pertaining to the water and sewer in McDuffie County. The Joint Water Sewer Commission, of which McDuffie County is a 50% owner, will be fully operated by the City of Thomson.

McDuffie County's proprietary funds reflect a partial year of operations for water and sewer in this audit report. In the future, all financial information will be available in the Joint Water and Sewer Commission audit report. The issuance of the new bond provided a tremendous savings in interest costs. The savings will allow the water and sewer rates to be equalized in the near future and provide additional improvements to the system.

The solid waste transfer system had a net loss of $178,268 for the year. The revenues increased by $96,579 and the expenditures increased by $194,960 for the year.

Capital Assets and Debt Administration

Capital Assets

McDuffie County has invested $41,266,363 in capital assets (net of accumulated depreciation). Approximately 98% 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.

The citizens of McDuffie County did vote to pass the Transportation Special Purpose Sales Tax. The sales tax percentage will increase in January, 2013 and the additional revenues will be used for the resurfacing and paving of roads in the community along with joint projects with other counties. During 2014, the voters will be asked to decide whether another Special Purpose Sales Tax will be implemented which will fund many capital assets needs in the community.

McDuffie County Capital Assets
(net of accumulated depreciation)

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	$3,594,106	$3,594,106	$312,891	$1,180,150	$3,906,997	$4,774,256
Buildings	37,130,108	36,884,051	212,237	212,237	37,342,345	37,096,288
Machinery & equipment	8,402,269	8,001,731	967,890	967,890	9,370,159	8,969,621
Infrastructure	40,630,519	40,385,033			40,630,519	40,385,033
Water System				2,886,365		2,886,365
Sewer System				8,807,643		8,807,643
Construction in progress		1,373,493		8,523,978		9,897,471
Total Assets	89,757,002	90,238,414	1,493,018	22,578,263	91,250,020	112,816,677
Accumulated Depreciation	-48,985,997	-46,899,371	-997,660	-2,540,623	-49,983,657	-49,439,994
Net Capital Assets	$40,771,005	$43,339,043	$495,358	$20,037,640	$41,266,363	$63,376,683

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 Dunn & Bradstreet and should have no conflicts that would affect the financing of any planned facilities or services.

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 $2,011,350 were paid from SPLOST V collections towards the general obligation bond.

During 2012, several debts for water and sewer debt were paid. These amounts were refinanced in a consolidated bond issued by the Joint Water and Sewer Commission. Those debts included were the water expansion fund bond agreement in the amount of $1,181,900 and the bonds with the United States Department of Agriculture in the amount of $1,719,000 for sewer and $4,109,000 for the water expansion. All of the debt mentioned above is included in the Joint Water and Sewer Commission annual audit and the debt is collateralized by the operations of the system.

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 post closure 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 2012.

McDuffie County
Outstanding Debt
Fiscal Years 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Accrued compensated absences	$ 276,288	$ 326,199	$ 11,983	$ 11,615	$ 288,271	$ 337,814
Equipment Loans						
Bonds payable						
Water Expansion Loans						15,405,000
	14,110,000	15,405,000		5,016,814	14,110,000	5,016,814
Sewer Loans				1,646,408		1,646,408
Postclosure costs			312,377	326,320	312,377	326,320
Total Debt	$ 14,386,288	$ 15,731,199	$ 324,360	$ 7,001,157	$ 14,710,648	$ 22,732,356

Economic Factors and Year 2012 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 many other quality services.

During 2012, the local hospital sold to a regionally known facility, University Hospital. The new owners have decided to build a new facility located near Interstate 20, which should be opening around April, 2015. Their investment into the community should provide potential commercial growth for the area.

For the current year, revenues decreased slightly. 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. However, during 2012, the local option tax collections and special option tax collections increased by 1.5%. The hotel tax collections increased by 4.6%.

The government has closely monitored expenditures during the year and each department has been very conservative in their spending. Expenditures were $734,094 less than the County had in the original budget. McDuffie County is making every effort to keep the unemployment rate low. The unemployment rate as of December, 2012 was 9.6% compared to December, 2011 of 11%. The government continues with a hiring freeze on unfilled positions; but has not given any furlough days for employees.

For fiscal year 2013, 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 2013.

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 POSITION
DECEMBER 31, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Development Authority	Health Department
Assets					
Cash and cash equivalents	$ 5,609,347	$ 427,422	$ 6,036,769	$ 1,195,268	$ 89,775
Investments	2,001,114	-	2,001,114	-	-
Receivables					
Taxes	1,568,451	-	1,568,451	-	-
Accounts	58,398	171,230	229,628	456,079	18,482
Intergovernmental	255,600	52,998	308,598	-	-
Restricted assets			-		
Cash and cash equivalents	2,386,738	-	2,386,738	-	-
Investments	-	-	-	-	-
Capital assets (net of accumulated depreciation)					
Land	3,594,106	312,891	3,906,997	3,746,190	-
Buildings and improvements	29,118,921	113,691	29,232,612	1,622,074	-
Furniture, fixtures, and equipment	2,720,455	68,776	2,789,231	26,158	-
Infrastructure	5,337,523	-	5,337,523	-	-
Total assets	52,650,653	1,147,008	53,797,661	7,045,769	108,257
Liabilities					
Accounts payable	1,150,418	206,852	1,357,270	-	411
Accrued liabilities	133,599	2,854	136,453	15,716	-
Intergovernmental	206,175	-	206,175	-	-
Compensated absences payable	276,288	11,983	288,271	-	-
Unearned intergovermental revenue	307,494	-	307,494	-	-
Net pension obligation	14,957	-	14,957	-	-
Noncurrent liabilities					
Closure and post closure costs payable	-	312,377	312,377		
Due within one year	1,340,000	-	1,340,000	56,604	-
Due in more than one year	12,770,000	-	12,770,000	70,557	31,334
Total liabilities	16,198,931	534,066	16,732,997	142,877	31,745
Net Position					
Net invested in capital assets	26,661,005	495,358	27,156,363	5,267,261	-
Restricted for:					
Capital projects	3,038,057	-	3,038,057	-	-
Special revenues	1,270,119	-	1,270,119	-	-
Debt service	2,000,616	-	2,000,616	-	-
Unrestricted	3,481,925	117,584	3,599,509	1,635,631	76,512
Total net position	$ 36,451,722	$ 612,942	$ 37,064,664	$ 6,902,892	$ 76,512

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, 2012

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 Position: 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	$ 3,977,092	$ 1,438,997	$ 1,172	$ 6,554	$ (2,530,369)	$ -	$ (2,530,369)	$	$
Public safety	5,191,116	1,167,677	-	93,972	(3,929,467)	-	(3,929,467)		
Public works	2,517,961	51,428	-	-	(2,466,533)	-	(2,466,533)		
Health and welfare	1,185,269	25,195	36,833	-	(1,123,241)	-	(1,123,241)		
Culture and recreation	956,279	75,830	-	-	(880,449)	-	(880,449)		
Economic develpment	885,842	134,722	-	133,608	(617,512)	-	(617,512)		
Judicial	937,182	599,861	4,487	-	(332,834)	-	(332,834)		
Interest on long-term debt	716,350	-	-	-	(716,350)	-	(716,350)		
Total governmental activities	16,367,091	3,493,710	42,492	234,134	(12,596,755)	-	(12,596,755)		
Business-type activities:									
Solid Waste	1,456,972	1,278,704	-	-	-	(178,268)	(178,268)		
Water Fund	1,538,314	405,048	-	807,993	-	(325,273)	(325,273)		
Sewer Fund	218,839	52,560	-	-	-	(166,279)	(166,279)		
Total business-type activities	3,214,125	1,736,312	-	807,993	-	(669,820)	(669,820)		
Total primary government	$ 19,581,216	$ 5,230,022	$ 42,492	$ 1,042,127	(12,596,755)	(669,820)	(13,266,575)		
Component units:									
Development Authority	$ 137,521	$ 212,371	$ 84,318	$ 68,289				227,457	-
Health Department	466,075	103,240	355,469	-				-	(7,366)
Total component units	$ 603,596	$ 315,611	$ 439,787	$ 68,289				227,457	(7,366)
General revenues:									
Property taxes					5,257,770	-	5,257,770	-	-
Sales taxes					5,826,557	-	5,826,557	-	-
Franchise taxes					72,233	-	72,233	-	-
Insurance premium tax					650,064	-	650,064	-	-
Hotel/motel taxes					173,842	-	173,842	-	-
Railroad taxes					5,867	-	5,867	-	-
Alcoholic beverage taxes					248,783	-	248,783	-	-
Financial institution tax					34,994	-	34,994	-	-
Real estate transfer taxes					9,891	-	9,891	-	-
Intangible taxes					68,426	-	68,426	-	-
Payments in lieu of taxes					35,229	-	35,229	-	-
Interest					2,723	16	2,739	1,032	-
Total general revenues					12,386,379	16	12,386,395	1,032	-
Transfers					(746,911)	746,911	-	-	-
Change in net position					(957,288)	(1,416,715)	(880,181)	228,489	(7,366)
Net position, beginning of year					37,409,010	13,800,548	51,209,558	6,674,403	83,878
Net position, end of year					$ 36,451,722	$ 12,383,833	$ 50,329,377	$ 6,902,892	$ 76,512

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

MCDUFFIE COUNTY, GEORGIA
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	SPLOST V	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,532,102	$ -	$ -	$ 2,077,245	$ 5,609,347
Investments	498	-	2,000,616	-	2,001,114
Receivables					
Property taxes	683,696	-	-	-	683,696
Sales tax	354,176	530,579	-	-	884,755
Other	58,398	-	-	-	58,398
Interfund receivables	250,071	-	-	-	250,071
Intergovernmental receivables	106,821	-	-	148,779	255,600
Restricted cash and investments	255,574	2,131,164	-	-	2,386,738
Total assets	$ 5,241,336	$ 2,661,743	$ 2,000,616	$ 2,226,024	$ 12,129,719
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 897,657	$ 109,627	$ -	$ 143,134	$ 1,150,418
Accrued liabilities	123,614	-	-	9,985	133,599
Interfund payables	240,720	-	-	9,351	250,071
Unearned revenue	482,281	-	-	307,494	789,775
Intergovernmental payable	206,175	-	-	-	206,175
Total liabilities	1,950,447	109,627	-	469,964	2,530,038
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted for:					
Capital projects	-	2,552,116	-	485,941	3,038,057
Special revenues	-	-	-	1,270,119	1,270,119
Debt	-	-	2,000,616	-	2,000,616
Unassigned	3,290,889	-	-	-	3,290,889
Total fund balances	3,290,889	2,552,116	2,000,616	1,756,060	9,599,681
Total liabilities and fund balances	$ 5,241,336	$ 2,661,743	$ 2,000,616	$ 2,226,024	$ 12,129,719

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

MCDUFFIE COUNTY, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL NET POSITION TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total fund balances - governmental funds	$ 9,599,681
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	3,594,106
Infrastructure	40,630,519
Buildings and improvements	37,130,108
Furniture, fixtures, and equipment	8,402,269
Accumulated depreciation	(48,985,997)
Total capital assets	40,771,005
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.	482,281
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	(14,110,000)
Net pension obligation	(14,957)
Compensated absences	(276,288)
Total long-term liabilities	(14,401,245)
Net position of governmental activities	$ 36,451,722

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, 2012

	General	SPLOST V	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 8,539,486	$ 3,491,005	$ -	$ 164,720	$ 12,195,211
Licenses and permits	245,572	-	-	-	245,572
Intergovernmental	51,726	-	-	243,861	295,587
Fines and forfeitures	514,466	-	-	61,028	575,494
Charges for services	1,981,013	-	-	441,955	2,422,968
Contributions and donations from private sources	8,079	-	-	-	8,079
Other revenue	209,358	-	-	15,922	225,280
Interest	2,690	2,288	3,675	624	9,277
Total revenues	11,552,390	3,493,293	3,675	928,110	15,977,468
EXPENDITURES					
Current expenditures:					
General government	3,118,227	-	-	28,249	3,146,476
Public safety	4,053,057	-	-	616,633	4,669,690
Public works	1,232,008	-	-	39,024	1,271,032
Health and welfare	620,350	-	-	-	620,350
Culture and recreation	779,511	-	-	113	779,624
Judicial	912,856	-	-	24,326	937,182
Economic development	558,150	-	-	240,390	798,540
Capital outlay:					
General government	1,971	-	-	240,571	242,542
Public safety	159,349	-	-	61,414	220,763
Public works	54,629	266,607	-	-	321,236
Health and welfare	5,245	-		3,999	9,244
Culture and recreation	6,055	72,285	-		78,340
Judicial	-	-	-	19,956	19,956
Debt service:					
Principal	-	-	1,295,000	-	1,295,000
Interest	-	-	716,350	-	716,350
Intergovernmental:					
Payments to govts and agencies	-	1,206,078	-	170,097	1,376,175
Total expenditures	11,501,408	1,544,970	2,011,350	1,444,772	16,502,500
Excess (deficiency) of revenues over expenditures	50,982	1,948,323	(2,007,675)	(516,662)	(525,032)
OTHER FINANCING SOURCES (USES)					
Transfer in	210,451	-	1,996,950	481,738	2,689,139
Transfer out	(1,143,911)	(1,996,950)	-	(295,189)	(3,436,050)
Total other financing sources (uses)	(933,460)	(1,996,950)	1,996,950	186,549	(746,911)
CHANGE IN FUND BALANCES	(882,478)	(48,627)	(10,725)		(1,271,943)
FUND BALANCES, BEGINNING OF YEAR	4,173,367	2,600,743	2,011,341	2,086,173	10,871,624
FUND BALANCES, END OF YEAR	$ 3,290,889	$ 2,552,116	$ 2,000,616	$ 2,086,173	$ 9,599,681

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, 2012

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - governmental funds	$ (1,271,943)
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	892,081
Depreciation expense	(2,086,626)
Net change in capital assets	(1,194,545)
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. Unearned revenues increased by this amount in 2012.	179,246
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	1,295,000
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.	34,954
Change in net position of governmental activities	$ (957,288)

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, 2012

	Cash Basis			Variance with Final Budget - Over (Under)
	Budgeted Amount			
	Original	Final	Actual Amount	
REVENUES				
Taxes	$ 9,243,824	$ 9,243,824	$ 8,436,596	$ (807,228)
Licenses and permits	139,000	139,000	134,542	(4,458)
Intergovernmental	1,229,931	1,250,810	1,466,406	215,596
Fines and forfeitures	614,000	614,000	646,144	32,144
Charges for services	1,081,668	1,101,668	854,441	(247,227)
Other	141,606	137,199	65,007	(72,192)
Total revenues	12,450,029	12,486,501	11,603,137	(883,364)
			11,552,390	
EXPENDITURES				
Current:				
General government	5,285,057	5,194,941	4,899,709	(295,232)
Public safety	3,952,679	4,024,117	3,795,008	(229,109)
Highways and streets	1,363,998	1,373,681	1,231,503	(142,178)
Health and welfare	566,336	600,199	594,932	(5,267)
Culture and recreation	914,407	919,716	889,898	(29,818)
Other	367,552	373,847	341,357	(32,490)
Total expenditures	12,450,029	12,486,501	11,752,407	(734,094)
Excess (deficiency) of revenues over expenditures	-	-	(149,270)	(149,270)
OTHER FINANCING SOURCES				
Transfer out	-	-	-	-
Total other financing sources	-	-	-	-
CHANGE IN FUND BALANCE	$ -	$ -	(149,270)	$ (149,270)
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			$ 4,414,571	

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

MCDUFFIE COUNTY, GEORGIA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
ASSETS				
Current assets				
Cash	$ 424,882	$ 2,192	$ 348	$ 427,422
Interfund receivables	-	-	-	-
Accounts receivable	-	-	171,230	171,230
Intergovernmental receivable	52,998	-	-	52,998
Total current assets	477,880	2,192	171,578	651,650
Noncurrent assets				
Capital assets, net of accumulated depreciation	-	-	495,358	495,358
Total noncurrent assets	-	-	495,358	495,358
Total assets	$ 477,880	$ 2,192	$ 666,936	$ 1,147,008
LIABILITIES AND NET POSITION				
Liabilities				
Current liabilities				
Accounts payable	53,297	100	153,455	206,852
Accrued liabilities	-	-	2,854	2,854
Total current liabilities	53,297	100	156,309	209,706
Noncurrent liabilities				
Compensated absences	-	-	11,983	11,983
Closure and post closure costs payable	-	-	312,377	312,377
Total noncurrent liabilities	-	-	324,360	324,360
Total liabilities	53,297	100	480,669	534,066
Net Position				
Net investment in capital assets	-	-	495,358	495,358
Unrestricted	424,583	2,092	(309,091)	117,584
Total net position	424,583	2,092	186,267	612,942
Total liabilties and net position	$ 477,880	$ 2,192	$ 666,936	$ 1,147,008

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
OPERATING REVENUES				
Charges for services	$ 405,048	$ 52,560	$ 1,278,704	$ 1,736,312
Total operating revenues	405,048	52,560	1,278,704	1,736,312
OPERATING EXPENSES				
Personnel services	-	-	165,806	165,806
Operations	506,253	14,669	1,268,582	1,789,504
Depreciation	54,120	152,845	22,584	229,549
Total operating expenses	560,373	167,514	1,456,972	2,184,859
Operating loss	(155,325)	(114,954)	(178,268)	(448,547)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	16	-	-	16
Interest expense	(177,941)	(51,325)	-	(229,266)
Intergovernment revenues	328,832	-	-	328,832
Total non-operating revenues (expenses)	150,907	(51,325)	-	99,582
Income (loss) before capital contributions and transfers	(4,418)	(166,279)	(178,268)	(348,965)
Capital contributions - City of Thomson	(800,000)	-	-	(800,000)
Loss on discontinued operations	(5,577,531)	(7,208,021)	-	(12,785,552)
Transfers in	710,824	10,000	746,911	1,467,735
Transfers (out)	(683,537)	(37,287)	-	(720,824)
Change in net position	(6,354,662)	(7,401,587)	568,643	(13,187,606)
NET POSITION, BEGINNING OF YEAR	6,779,245	7,403,679	(382,376)	13,800,548
NET POSITION, END OF YEAR	$ 424,583	$ 2,092	$ 186,267	$ 612,942

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, 2012

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 459,711	$ 59,896	$ 1,209,974	$ 1,729,581
Cash received from interfund services provided	363,020	7,650	-	370,670
Cash paid to suppliers and others	(506,265)	(16,158)	(1,221,441)	(1,743,864)
Cash paid to employees	-	-	(164,925)	(164,925)
Cash paid for interfund services provided	(363,611)	-	(571,994)	(935,605)
Net cash provided by (used in) operating activities	(47,145)	51,388	(748,386)	(744,143)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental transfer	(800,000)	-	-	(800,000)
Transfer to other funds	(683,537)	(37,287)	-	(720,824)
Transfer from other funds	710,824	10,000	746,911	1,467,735
Net cash (used in) provided by noncapital financing activities	(772,713)	(27,287)	746,911	(53,089)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernment revenues	328,832	-	-	328,832
Purchase of capital assets	(95,574)	-	-	(95,574)
Interest paid on long term debt	(157,004)	(49,380)	-	(206,384)
Principal paid on long term debt	(47,437)	(15,912)	-	(63,349)
Net cash (used in) capital and related financing activities	28,817	(65,292)	-	(36,475)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	16	-	-	16
Net cash provided by investing activities	16	-	-	16
Net (decrease) in cash	(791,025)	(41,191)	(1,475)	(833,691)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,215,907	43,383	1,823	1,261,113
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 424,882	$ 2,192	$ 348	$ 427,422
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ (155,325)	$ (114,954)	$ (178,268)	$ (448,547)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:				
Depreciation	54,120	152,845	22,584	229,549
Change in accounts receivable	54,663	7,336	(68,730)	(6,731)
Change in due from other funds	363,020	7,650	4,870,630	5,241,300
Change in accounts payable	11,735	-	61,084	72,819
Change in accrued postclosure	-	-	(13,943)	(13,943)
Change in accrued liabilities	(11,747)	(1,489)	513	(12,723)
Change in compensated absences	-	-	368	368
Change in due to other funds	(363,611)	-	(5,442,624)	(5,806,235)
Total adjustments	108,180	166,342	(570,118)	(295,596)
Net cash (used in) provided by operating activities	$ (47,145)	$ 51,388	$ (748,386)	$ (744,143)

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, 2012

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,610,711
Total assets	$ 1,610,711
LIABILITIES	
Due to others	$ 1,610,711
Total liabilities	$ 1,610,711

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, 2012. 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 position and statement of activities to emphasize legal separation from the County.

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 position 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.

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 2012 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, 2012, 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 position 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 position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position/Fund Balances

In June 2011, the GASB approved Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement Number 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period. Concepts Statement Number 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amended the net asset reporting requirements in Statement No 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Management does not expect the impact of this Statement to have a material effect on the County's financial statements.

The County's net position is classified as follows:

Net investment in capital assets - this represents the County's total investment in capital assets; net of debt related to those capital assets.

Restricted - this represents the net amount of assets subject to constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Unrestricted - this represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in any other category of net position.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 September 5th, and were due November 15, 2012.

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, maintain and extend 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.

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

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, 2012, is summarized as follows:

Operating revenues	$ 4,263,459
Depreciation and amortization expense	1,122,968
Operating income (loss)	(56,571)
Change in net position	869,105
Capital asset additions	7,269,614
Capital asset deletions	(42,408)
Net working capital	2,492,102
Total assets	41,665,152
Revenue bonds and other long-term liabilities	11,486,960
Total equity	29,637,900

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
As of December 31, 2012, 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.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY- Continued

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, 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, 2012, the County had the following investments:

Investments	Weighted Avg Maturities	Fair Value	Credit Rating
Primary Government:			
Various Certificates of Deposit	43 days	$ 4,132,278	AAAm
Total fair value		$ 4,132,278	

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, 2012, and were due November 20, 2012. 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 unearned revenue. A summary of the 2012 tax levy follows:

		General Fund
2012 millage rate -	incorporated	8.50
	unincorporated	7.80
Net property tax levy		$ 4,260,202
Property tax receivable		$ 683,696
Unearned property tax revenues		$ 298,906

NOTE 6 – CAPITAL ASSETS

Governmental capital assets activity for the year ended December 31, 2012, was as follows:

	Balance 1/1/2012	Additions	Transfers/ Deletions	Balance 12/31/2012
Capital assets not being depreciated				
Land	$ 3,594,106	$ -	$ -	$ 3,594,106
Total capital assets not being depreciated	3,594,106	-	-	3,594,106
Capital assets being depreciated				
Infrastructure	40,385,033	245,486	-	40,630,519
Buildings and improvements	36,884,051	246,057	-	37,130,108
Furniture, fixtures, and equipment	8,001,731	400,538	-	8,402,269
Total capital assets being depreciated	85,270,815	892,081	-	86,162,896
Less accumulated depreciation:				
Infrastructure	(34,878,228)	(414,768)	-	(35,292,996)
Buildings and improvements	(7,073,409)	(937,778)	-	(8,011,187)
Furniture, fixtures, and equipment	(4,947,734)	(734,080)	-	(5,681,814)
Less accumulated depreciation	(46,899,371)	(2,086,626)	-	(48,985,997)
Net capital assets being depreciated	38,371,444	(1,194,545)	-	37,176,899
Governmental activities capital assets - net	$ 41,965,550	$ (1,194,545)	$ -	$ 40,771,005

Depreciation expense was charged to functions as follows:

General government	$ 865,570
Public safety	521,426
Public works	497,198
Health and welfare	64,919
Culture and recreation	137,513
Total depreciation expense - governmental activities	$ 2,086,626

NOTE 6 – CAPITAL ASSETS - Continued

Business-type capital assets activity for the year ended December 31, 2012, was as follows:

Water Fund:

	Balance 1/1/2012	Additions	Transfers/ Deletions	Balance 12/31/2012
Capital assets not being depreciated				
Construction in process	$ 8,523,978	$ 95,574	$ (8,619,552)	$ -
Total capital assets not being depreciated	8,523,978	95,574	(8,619,552)	-
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	(883,952)	(54,120)	938,072	-
Less accumulated depreciation	(883,952)	(54,120)	938,072	-
Net capital assets being depreciated	2,002,413	(54,120)	(1,948,293)	-
Business-type activities capital assets - net	$ 10,526,391	$ 41,454	$ (10,567,845)	$ -

Sewer Fund:

	Balance 1/1/2012	Additions	Transfers/ Deletions	Balance 12/31/2012
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	(681,595)	(152,845)	834,440	-
Less accumulated depreciation	(681,595)	(152,845)	834,440	-
Net capital assets being depreciated	8,126,048	(152,845)	(7,973,203)	-
Business-type activities capital assets - net	$ 8,993,307	$ (152,845)	$ (8,840,462)	$ -

NOTE 6 – CAPITAL ASSETS – Continued

Solid Waste Fund:

	Balance 1/1/2012	Additions	Transfers/ Deletions	Balance 12/31/2012
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	(93,240)	(5,306)	-	(98,546)
Furniture, fixtures, and equipment	(881,836)	(17,278)	-	(899,114)
Less accumulated depreciation	(975,076)	(22,584)	-	(997,660)
Net capital assets being depreciated	205,051	(22,584)	-	182,467
Business-type activities capital assets - net	$ 517,942	$ (22,584)	$ -	$ 495,358

Depreciation expense on capital assets of the Proprietary Funds was $295,177 for the year ended December 31, 2012.

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, 2012.

NOTE 6 – CAPITAL ASSETS – Continued

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

Development Authority	Balance 1/1/2012	Additions	Transfers/ Deletions	Balance 12/31/2012
Capital assets not being depreciated				
Land and land improvements	$ 3,771,560	$ -	$ (25,370)	$ 3,746,190
Property, plant and equipment				
Buildings and improvements	1,931,397	62,484	-	1,993,881
Equipment and furniture	18,572	19,658	-	38,230
Total property, plant and equipment	1,949,969	82,142	-	2,032,111
Less accumulated depreciation				
Buildings	(318,689)	(53,118)	-	(371,807)
Equipment and furniture	(8,400)	(3,672)	-	(12,072)
Total accumulated depreciation	(327,089)	(56,790)	-	(383,879)
Net capital assets being depreciated	1,622,880	25,352	-	1,648,232
Component unit capital assets - net	$ 5,394,440	$ 25,352	$ (25,370)	$ 5,394,422

Depreciation expense on capital assets of the Development Authority was $56,790 for the year ended December 31, 2012.

At June 30, 2012, the Health Department's investment in capital assets totaled $15,348, all of which were fully depreciated.

NOTE 7 – NOTES RECEIVABLE

At December 31, 2012, 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.	$ 195,556
Notes receivable bearing interest at the federal fund rate as adjusted every six months, loan facility will be for a term of 15 years.	260,523
	$ 456,079

NOTE 8 – LONG TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2012:

	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012	Due within One Year
Governmental Activities					
Bonds payable	$ 15,405,000	$ -	$ (1,295,000)	$ 14,110,000	$ 1,340,000
Accrued compensated absences	326,199	-	(49,911)	276,288	-
Total debt - governmental activities	$ 15,731,199	$ -	$ (1,344,911)	$ 14,386,288	$ 1,340,000
Business-type Activities					
Bonds payable	$ 1,010,497	$ -	$ (1,010,497)	$ -	$ -
Bonds payable	957,774	-	(957,774)	-	-
Bonds payable	688,634	-	(688,634)	-	-
Bonds payable	4,006,317	-	(4,006,317)	-	-
Accrued compensated absences	11,615	368	-	11,983	-
Accrued closure and postclosure costs	326,320	-	(13,943)	312,377	-
Total debt - business-type activities	$ 7,001,157	$ 368	$ (6,677,165)	$ 324,360	$ -

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
2013	$ 1,340,000	$ 655,781	$ 1,995,781
2014	1,385,000	594,356	1,979,356
2015	1,440,000	523,731	1,963,731
2016	1,495,000	450,356	1,945,356
2017	1,555,000	377,994	1,932,994
2018-2021	6,895,000	713,885	7,608,885
Total	$ 14,110,000	$ 3,316,103	$ 17,426,103

NOTE 8 – LONG TERM DEBT - Continued

On August 31, 2012 it was resolved, by way of a joint resolution of the City of Thomson, Georgia (the "City") and McDuffie County, Georgia (the "County"), that due to present market conditions and in order to restructure the existing debt service on all water sewer system indebtedness that all of the outstanding Series 2005 Bonds be refunded through an advance refunding resulting in defeasance of the Series 2005 Bonds. To achieve substantial debt service savings it was further resolved to prepay certain promissory notes in favor of the Georgia Environmental Finance Authority (GEFA), bonds issued by the County to Rural Development, U.S.D.A, ("Rural Development") and bonds issued by the Town of Dearing, Georgia ("Dearing") to Rural Development. Refunding of the 2005 Series Bonds and prepayment of other debts was accomplished by the issuance of City of Thomson, Georgia and McDuffie County Water and Sewerage Revenue Refunding Bonds, Series 2012A Bonds (the "Series 2012A Bonds"), totaling $9,870,000 and issuance of City of Thomson, Georgia and McDuffie County Water and Sewerage Taxable Revenue Refunding Bonds, Series 2012B Bonds (the "Series 2012B Bonds"), totaling $1,940,000, and additional funds provided by the Commission and County totaling $1,245,238.

Series 2005 Revenue Bonds Payable

On August 31, 2012, the City and County refunded all of the outstanding Series 2005 Bonds, maturing on July 1, 2018 with an aggregate principal balance of $ 1,360,000, resulting in defeasance of the Series 2005 Bonds. A portion of the proceeds from the Series 2012B Bonds, totaling $ 1,006,574, along with sinking fund and debt service reserve funds, totaling $ 458,006 were deposited with Regions Bank, as Escrow Agent. These funds were used to acquire certain direct obligations of the United States of America in amounts sufficient to fully refund the Series 2005 Bonds outstanding for 2013 thru 2018. With provisions having been duly and legally made for the acquisition of all the Series 2005 Bonds, the 2005 Resolution is null and void and all liens created thereunder on the net revenues of the System are fully and completely discharged.

Series 2012A Revenue Bonds Payable

On August 31, 2012, the City and County issued City of Thomson, Georgia and McDuffie County Water and Sewerage Revenue Refunding Bonds, Series 2012A in the principal amount of $ 9,870,000. Proceeds of the Series 2012A Bonds were used to prepay notes payable to the Georgia Environmental Facilities Authority (GEFA), bonds issued by the County and Dearing to Rural Development, and to pay expenses related to the issuance of the Series 2012A Bonds.

Proceeds from the Series 2012A Bonds, after discounts of $ 70,906, totaled $ 9,799,094. Of this amount, $1,970,130 was used to prepay notes payable to GEFA, $ 4,920,857 and $ 786,325 was used to refund bonds issued by the County and Dearing to Rural Development, $ 111,296 was used to pay issuance costs of the Series 2012A Bonds, and $ 10,486 was transferred to the Thomson-McDuffie Sinking Fund.

Series 2012B Revenue Bonds Payable

On August 31, 2012, the City and County issued City of Thomson, Georgia and McDuffie County Water and Sewerage Taxable Revenue Refunding Bonds, Series 2012B in the principal amount of $ 1,940,000. Proceeds of the Series 2012B Bonds were used to advance refund the Series 2005 Bonds and advance refund a portion of the County USDA Series 2008 Bonds, as well as, to pay expenses related to the issuance of the Series 2012B Bonds

Proceeds from the Series 2012B Bonds, after discounts of $ 17,967, totaled $ 1,922,033. The Commission and County provided additional funding of $ 458,006 and $ 800,000, respectively. Total funds provided to achieve the foregoing were $ 3,180,039. Of this amount $ 1,464,580 was used to advance refund the Series 2005 Bonds, $ 1,688,943 was used to refund a portion of the County USDA Series 2008 Bonds, $ 24,233 was used to pay issuance costs of the Series 2012B Bonds, and $ 2,283 was transferred to the Thomson-McDuffie Sinking Fund.

NOTE 8 – LONG TERM DEBT - Continued

Long Term Debt-Discretely Presented Component Units

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

Health Department	7/1/2011	Additions	Deletions	6/30/2012	One Year
Accrued compensated absences	$ 32,108	$ 19,256	$ (20,030)	$ 32,108	$ -

Development Authority	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012	Due within One Year
Note payable	$ 259,022	$ -	$ (131,861)	$ 127,161	$ 56,604

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 GEB Corp. 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.

NOTE 9 – RETIREMENT PLAN- Continued

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:	**2012**	**2011**
Net Pension Obligation as of Beginning of Prior Year	$ 15,039	$ 1,641
Annual Pension Cost for Prior Year	491,491	465,075
Actual Contributions to Plan for Prior Year	491,573	451,677
Increase in Net Pension Obligation	$ (82)	$ 13,398
Net Pension Obligation as of Beginning of the Year	$ 14,957	$ 15,039
Derivation of Annual Pension Cost:		
Annual Required Contribution	$ 459,532	$ 491,573
Interest on Net Pension Obligation	1,159	1,165
Amortization of Net Pension Obligation	(1,240)	(1,247)
Annual Pension Cost	$ 459,451	$ 491,491

The County has made contributions to the Plan as follows:

Year Ended December 31,	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2010	$ 465,075	97%	$ 1,641
2011	491,573	100%	15,039
2012	459,532	100%	14,957

NOTE 9 – RETIREMENT PLAN – Continued

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, 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%
December 31, 2012	6,064,531	7,180,158	85%	1,115,627	4,101,417	27%

The Plan information presented was determined as part of the actuarial valuation as of January 1, 2012. 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 $5,471,979 for the year ended December 31, 2012 (based on W-2 earnings for the year).

NOTE 9 – RETIREMENT PLAN – Continued

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

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 2012, the cost of health insurance was accounted for as a General Fund expense. During 2012, claims paid aggregated $610,885.

NOTE 9 – RETIREMENT PLAN – Continued

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, 2012, 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, 2012.

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 Inter-local 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, 2012, the County had recorded no liability for claims.

The change in the balances of the workers' compensation pool claims during fiscal year 2012 is as follows:

Unpaid claims, beginning of fiscal year	$ 167,925
Incurred claims	47,214
Claim payments	(29,076)
Unpaid claims, end of fiscal year	$ 186,063

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 2012 is as follows:

Unpaid claims, beginning of fiscal year	$ 43,300
Incurred claims	19,213
Claim payments	(18,713)
Unpaid claims, end of fiscal year	$ 43,800

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.

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

The change in the health insurance claims during year 2012 and 2011 are as follows:

	2012	2011
Unpaid claims, beginning of fiscal year	$ 101,951	$ 77,178
Incurred claims	532,503	754,215
Claim payments	(610,885)	(729,442)
Unpaid claims, end of fiscal year	$ 23,569	$ 101,951

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, 2012, 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
Others	413,425	93,578	-	-	507,003
Total	$ 5,647,075	$ 602,698	$ 363,611	$ 5,442,625	$ 12,056,009

NOTE 11 – INTERFUND TRANSACTIONS - Continued

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	Debt Service Fund	Non-major Govt Funds	Water System	Solid Waste Landfill	Total
General Fund	$ -	$ -	$ 397,000	$ -	$ 746,911	$ 1,143,911
SPLOST V	-	1,996,950	-	-	-	1,996,950
Non-major govt funds	210,451	-	84,738	-	-	295,189
Total	$ 210,451	$ 1,996,950	$ 481,738	$ -	$ 746,911	$ 3,436,050

NOTE 12 – NET POSITION/FUND EQUITY

Reservations of net position/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 position that is legally restricted for specified purposes.

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

The Hotel/Motel Tax Fund had a deficit in unreserved net position totaling $3,493 as of December 31, 2012. 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.

NOTE 13 – SOLID WASTE FUND - Continued

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 $312,377 as of December 31, 2012.

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 2012 totaled $13,942.

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 2012, approximately 73% of receipts were allocated for tourism. Transactions for the year ended December 31, 2012 were as follows:

Lodging tax receipts	$ 164,720
Disbursements for promotion of tourism	(104,269)
Transfer to General Fund	(60,451)
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, 2012, 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, 2012.

NOTE 17 - SUBSEQUENT EVENTS

In preparing the financial statements, the County has evaluated events and transactions for potential recognition or disclosure through June 28, 2013.

COMBINING AND INDIVIDUAL FUND STATEMENTS

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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, 2012

	Cash Basis			
	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Property tax	$ 4,536,466	$ 4,536,466	$ 4,034,256	$ (502,210)
Local option sales tax	2,520,000	2,520,000	2,369,316	(150,684)
Alcohol beverage tax	250,000	250,000	248,783	(1,217)
Insurance premium tax	685,000	685,000	650,064	(34,936)
Financial institution tax	35,000	35,000	34,994	(6)
Public utility	227,813	227,813	-	(227,813)
Franchise tax	93,000	93,000	72,233	(20,767)
Motor vehicle tax	357,787	357,787	415,313	57,526
Mobile home tax	71,980	71,980	68,425	(3,555)
Timber tax	26,500	26,500	17,161	(9,339)
Light district	23,278	23,278	24,118	840
Railroad tax	-	-	5,867	5,867
Payments in lieu of tax	35,000	35,000	35,229	229
Commissions	225,000	225,000	254,406	29,406
FIFA	15,000	15,000	30,160	15,160
Motor vehicle late fee tax	40,000	40,000	41,922	1,922
Penalties and fines	102,000	102,000	134,349	32,349
Total taxes	9,243,824	9,243,824	8,436,596	(807,228)
Licenses and permits				
Beer and wine licenses	9,000	9,000	10,720	1,720
Alcohol licenses	25,000	25,000	26,000	1,000
Business licenses	65,000	65,000	60,032	(4,968)
Building permits and licenses	40,000	40,000	37,791	(2,209)
Total licenses and permits	139,000	139,000	134,542	(4,458)
Intergovernmental				
General overhead	1,104,731	1,125,610	1,336,950	211,340
Government center - City of Thomson	115,400	115,400	113,913	(1,487)
Home delivered meals	7,500	7,500	12,679	5,179
Tax assessor	2,300	2,300	2,865	565
Total intergovernmental	1,229,931	1,250,810	1,466,406	215,596
Charges for services				
Recreation fees	83,750	83,750	75,830	(7,920)
Senior citizens fees	2,850	2,850	7,063	4,213
Rent	124,818	139,818	142,517	2,699
Animal shelter	3,000	3,000	5,491	2,491
Sheriff	846,150	846,150	611,290	(234,860)
Transportation	8,500	8,500	5,453	(3,047)
Public works	1,100	1,100	1,575	475
Human development	9,500	9,500	180	(9,320)
Fire fees	2,000	7,000	5,042	(1,958)
Total charges for services	1,081,668	1,101,668	854,441	(247,227)

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES - Continued				
Fines and forfeitures				
Superior court fines and fees	$ 279,000	$ 279,000	$ 287,722	$ 8,722
Probate court fines and fees	275,000	275,000	304,559	29,559
Magistrate court fines and fees	60,000	60,000	53,863	(6,137)
Total fines and forfeitures	614,000	614,000	646,144	32,144
Other				
Election qualifying fees	5,600	5,600	7,280	1,680
Flood control	-	-	1,172	1,172
Interest	1,200	1,200	2,669	1,469
Surplus sales	25,000	25,000	8,280	(16,720)
Scrap	1,000	1,000	-	(1,000)
Transfers	91,606	87,199	46,676	(40,523)
Miscellaneous	17,200	17,200	(1,070)	(18,270)
Total other	141,606	137,199	65,007	(72,192)
Total revenues	12,450,029	12,486,501	11,603,137	(883,364)
EXPENDITURES				
General government				
Governing body	177,893	178,415	175,580	(2,835)
County manager	175,695	176,471	173,691	(2,780)
Elections office	187,889	188,664	165,961	(22,703)
Administration	1,932,538	1,806,390	1,837,820	31,430
Government center complex	115,400	115,400	64,063	(51,337)
Finance	225,817	232,367	207,580	(24,787)
Technical support	346,851	348,014	273,473	(74,541)
Tax commissioner	286,411	288,455	281,851	(6,604)
Tax assessor	438,578	441,318	387,891	(53,427)
Board of equalization	5,567	5,567	545	(5,022)
General government buildings	206,197	207,747	191,792	(15,955)
Superior court	128,991	128,991	113,028	(15,963)
Clerk of superior court	299,912	301,568	285,624	(15,944)
District attorney	68,399	69,314	69,294	(20)
Child support	8,600	8,600	7,220	(1,380)
Magistrate court	165,979	166,781	149,328	(17,453)
Probate court	143,028	143,909	128,295	(15,614)
Juvenile court	91,952	100,352	100,274	(78)
Public defender	68,418	68,976	68,866	(110)
Planning and zoning	210,942	217,642	217,532	(110)
Total general government	5,285,057	5,194,941	4,899,709	(295,232)
Public safety				
Sheriff	2,920,825	2,946,483	2,725,294	(221,189)
Community service	5,959	5,959	-	(5,959)
Fire	616,258	655,705	655,292	(413)
Emergency management	390,000	396,280	396,276	(4)
Coroner	19,637	19,690	18,146	(1,544)
Total public safety	3,952,679	4,024,117	3,795,008	(229,109)
Highways and streets				
Vehicle and equipment maintenance	215,361	217,193	177,919	(39,274)
Public works	1,148,637	1,156,488	1,053,583	(102,905)
Total highways and streets	1,363,998	1,373,681	1,231,503	(142,178)

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES - Continued				
Health and welfare				
Family and children services	$ 32,200	$ 32,200	$ 29,267	$ (2,933)
Health department	119,450	122,290	122,179	(111)
Emergency medical services	23,050	23,050	21,974	(1,076)
Rural transportation	171,894	194,771	194,296	(475)
Senior citizens	141,705	149,463	149,424	(39)
Soil & waste conservation	-	-	-	-
Home delivered meals	78,037	78,425	77,792	(633)
Total health and welfare	566,336	600,199	594,932	(5,267)
Culture and recreation				
Library	68,957	68,957	68,957	-
Boys and girls club	5,775	5,775	2,691	(3,084)
Recreation	730,993	734,508	708,004	(26,504)
Economic development	108,682	110,476	110,246	(230)
Total culture and recreation	914,407	919,716	889,898	(29,818)
Other				
Cooperative extension service	71,671	74,677	74,219	(458)
Airport	71,318	73,418	73,373	(45)
Forestry	18,759	18,759	15,282	(3,477)
Human development	112,819	113,981	94,218	(19,763)
Recycling center	52,800	52,800	48,447	(4,353)
Animal shelter	40,185	40,212	35,817	(4,395)
Total other	367,552	373,847	341,357	(32,490)
Total Expenditures	12,450,029	12,486,501	11,752,407	(734,094)
Other financing sources				
Transfer in	-	-	-	-
Transfer (out)	-	-	-	-
Net change in fund balance	$ -	$ -	$ (149,270)	$ (149,270)

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, 2012

	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	LMIG	Bond Fund	Total Nonmajor Governmental Funds
Assets														
Assets														
Cash	$ 421,379	$ 81,651	$ 44,327	$ 196,136	$ -	$ 278,055	$ 158,106	$ 83,487	$ -	$ 357,574	$ 130	$ 307,494	$ 148,906	$ 2,077,245
Interfund receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	9,351	-	-	63,059	-	-	76,369	-	-	148,779
Total Assets	$ 421,379	$ 81,651	$ 44,327	$ 196,136	$ 9,351	$ 278,055	$ 158,106	$ 146,546	$ -	$ 357,574	$ 76,499	$ 307,494	$ 148,906	$ 2,226,024
Liabilities and Fund Balances														
Liabilities														
Accounts payable	$ -	$ 1,561	$ -	$ -	$ 3,493	$ -	$ -	$ 41,042	$ -	$ 6,584	$ 75,986	$ -	$ 14,468	$ 143,134
Accrued liabilities	-	-	-	-	-	-	-	9,985						9,985
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	307,494	-	307,494
Interfund payables	-	-	-	-	9,351	-	-	-	-	-	-	-	-	9,351
Total Liabilities	-	1,561	-	-	12,844	-	-	51,027	-	6,584	75,986	307,494	14,468	469,964
Fund balances														
Capital Projects	-	-	-	-	-	-	-	-	-	350,990	513	-	134,438	485,941
Special Revenues	421,379	80,090	44,327	196,136	(3,493)	278,055	158,106	95,519	-	-	-	-	-	1,270,119
Total Fund Balances	421,379	80,090	44,327	196,136	(3,493)	278,055	158,106	95,519	-	350,990	513	-	134,438	1,756,060
Total Liabilities and Fund Balances	$ 421,379	$ 81,651	$ 44,327	$ 196,136	$ 9,351	$ 278,055	$ 158,106	$ 146,546	$ -	$ 357,574	$ 76,499	$ 307,494	$ 148,906	$ 2,226,024

MCDUFFIE COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	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	LMIG	Bond Fund	Total Nonmajor Governmental Funds
Revenues														
Fees for services	$ -	$ -	$ 1,012	$ -	$ -	$ 78,932	$ 51,428	$ 310,583	$ -	$ -	$ -	$ -	$ -	$ 441,955
Fines and forfeitures	37,182	12,638		11,208	-	-	-	-	-	-	-	-	-	61,028
Intergovernmental	19,168	-	-	6,347	-	-	-	-	84,738	-	133,608	-	-	243,861
Interest income	-	33	-	-	-	-	-	-	-	45	-	-	546	624
Taxes	-	-	-	-	164,720	-	-	-	-	-	-	-	-	164,720
Miscellaneous	-	54	-	-	9,122	-	-	6,746	-	-	-	-	-	15,922
Total Revenues	56,350	12,725	1,012	17,555	173,842	78,932	51,428	317,329	84,738	45	133,608	-	546	928,110
Expenditures														
Current														
General government	-	-	-	-	-	-	-	-	-	9,564	-	-	18,685	28,249
Public safety	27,985	-	710	26,132	-	65	-	554,930	6,811	-	-	-	-	616,633
Public works	-	-	-	-	-	-	30,502	-	-	8,522	-			39,024
Culture and recreation	-	-	-	-	-	-	-	-	-	113	-			113
Economic development	-	-	-	-	116,884	-	-	-	-	-	123,506	-	-	240,390
Judicial	-	24,326	-	-	-	-	-	-	-	-	-	-	-	24,326
Intergovernmental														
Intergovernmental	-	-	-	-	-	-	-	-	-	170,097	-	-	-	170,097
Capital outlay														
General government	-	-	-	-	-	-	-	-	-	4,740	-	-	235,831	240,571
Public safety	1,306	-	-	-	-	60,108	-	-	-	-	-	-	-	61,414
Health and welfare	-	-	-	-	-	-	-	-	-	3,999	-	-	-	3,999
Judicial	-	-	-	-	-	-	-	-	-	-	-	-	19,956	19,956
Total Expenditures	29,291	24,326	710	26,132	116,884	60,173	30,502	554,930	6,811	197,035	123,506	-	274,472	1,444,772
Excess (deficiency) of revenues over expenditures	27,059	(11,601)	302	(8,577)	56,958	18,759	20,926	(237,601)	77,927	(196,990)	10,102	-	(273,926)	(516,662)
Transfers in (out)	16,257	-	-	-	(60,451)	-	-	240,189	(77,927)	-	-	-	68,481	186,549
Net Change	43,316	(11,601)	302	(8,577)	(3,493)	18,759	20,926	2,588	-	(196,990)	10,102	-	(205,445)	(330,113)
FUND BALANCES, BEGINNING OF YEAR	378,063	91,691	44,025	204,713	-	259,296	137,180	92,931	-	547,980	(9,589)	-	339,883	2,086,173
FUND BALANCES, END OF YEAR	$ 421,379	$ 80,090	$ 44,327	$ 196,136	$ (3,493)	$ 278,055	$ 158,106	$ 95,519	$ -	$ 350,990	$ 513	$ -	$ 134,438	$ 1,756,060

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines and forfeitures	$ 34,300	$ 34,300	$ 37,182	$ 2,882
Intergovernmental	19,000	19,000	19,168	168
Interest income	200	200	-	(200)
Prior year	56,500	56,500	-	(56,500)
Total Revenues	110,000	110,000	56,350	(53,650)
Expenditures				
Public safety	110,000	110,000	29,291	(80,709)
Total Expenditures	110,000	110,000	29,291	(80,709)
Other Financing Sources				
Transfers from General Fund	-	-	16,257	16,257
Net Change in Fund Balance	$ -	$ -	43,316	$ 43,316
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			-	
Fund Balance, beginning of year			378,063	
Fund Balance, end of year			$ 421,379	

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines and forfeitures	$ 10,700	$ 10,700	$ 12,638	$ 1,938
Interest Income	100	100	33	(67)
Other	30	30	54	24
Prior year	-	13,586	-	(13,586)
Total Revenues	10,830	24,416	12,725	(11,691)
Expenditures				
General government	10,830	24,416	24,326	(90)
Total Expenditures	10,830	24,416	24,326	(90)
Net Change in Fund Balance	$ -	$ -	(11,601)	$ (11,601)
Fund Balance, beginning of year			91,691	
Fund Balance, end of year			$ 80,090	

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 2,100	$ 2,100	$ 1,012	$ (1,088)
Total Revenues	2,100	2,100	1,012	(1,088)
Expenditures				
Public safety	2,100	2,100	710	(1,390)
Total Expenditures	2,100	2,100	710	(1,390)
Net Change in Fund Balance	$ -	$ -	302	$ 302
Fund Balance, beginning of year			44,025	
Fund Balance, end of year			$ 44,327	

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines and forfeitures	$ 10,500	$ 10,500	$ 11,208	$ 708
Intergovernmental	10,000	10,000	6,347	(3,653)
Interest income	100	100	-	(100)
Prior year	26,800	26,800	-	(26,800)
Total Revenues	47,400	47,400	17,555	(29,845)
Expenditures				
Public safety	47,400	47,400	26,132	(21,268)
Total Expenditures	47,400	47,400	26,132	(21,268)
Net Change in Fund Balance	$ -	$ -	(8,577)	$ (8,577)
Fund Balance, beginning of year			204,713	
Fund Balance, end of year			$ 196,136	

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Taxes	$ 185,000	$ 185,000	$ 164,491	$ (20,509)
Total Revenues	185,000	185,000	164,491	(20,509)
Expenditures				
General government	114,210	114,210	117,814	3,604
Total Expenditures	114,210	114,210	117,814	3,604
Other Financing Sources				
Transfers to General Fund	(70,790)	(70,790)	(46,676)	24,114
Net Change in Fund Balance	$ -	$ -	-	$ -
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			(3,493)	
Fund Balance, beginning of year			-	
Fund Balance, end of year			$ (3,493)	

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 40,000	$ 61,400	$ 78,932	$ 17,532
Interest income	100	100	-	(100)
Total Revenues	40,100	61,500	78,932	17,432
Expenditures				
Public safety	-	-	65	65
Capital outlay	40,100	61,500	61,471	(29)
Total Expenditures	40,100	61,500	61,536	36
Net Change in Fund Balance	$ -	$ -	17,396	$ 17,396
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			1,363	
Fund Balance, beginning of year			259,296	
Fund Balance, end of year			$ 278,055	

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 33,200	$ 33,200	$ 34,245	$ 1,045
Interest income	50	50	-	(50)
Other	-	-	17,183	17,183
Total Revenues	33,250	33,250	51,428	18,178
Expenditures				
Capital outlay	33,250	33,250	30,502	(2,748)
Total Expenditures	33,250	33,250	30,502	(2,748)
Net Change in Fund Balance	$ -	$ -	20,926	$ 20,926
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			-	
Fund Balance, beginning of year			137,180	
Fund Balance, end of year			$ 158,106	

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, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 325,294	$ 340,894	$ 231,981	$ (108,913)
Interest income	600	600	-	(600)
Total Revenues	325,894	341,494	231,981	(109,513)
Expenditures				
Public safety	634,158	713,139	697,817	(15,322)
Total Expenditures	634,158	713,139	697,817	(15,322)
Other Financing Sources				
Transfers from General Fund	308,264	371,645	240,189	(131,456)
Net Change in Fund Balance	$ -	$ -	(225,646)	$ (94,190)
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			228,234	
Fund Balance, beginning of year			92,931	
Fund Balance, end of year			$ 95,519	

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, 2012

	Agency Funds					
	Clerk of Court	Probate Court	Sheriff	Tax Commissioner	Magistrate Court	Total
Assets						
Assets						
Cash	$ 373,131	$ 54,731	$ 899,900	$ 268,571	$ 14,378	$ 1,610,711
Total Assets	$ 373,131	$ 54,731	$ 899,900	$ 268,571	$ 14,378	$ 1,610,711
Liabilities						
Liabilities						
Due to others	$ 373,131	$ 54,731	$ 899,900	$ 268,571	$ 14,378	$ 1,610,711
Total Liabilities	$ 373,131	$ 54,731	$ 899,900	$ 268,571	$ 14,378	$ 1,610,711

MCDUFFIE COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Agency Funds					
	Clerk of Court	Probate Court	Sheriff	Tax Commissioner	Magistrate Court	Total
Assets						
Cash						
Balance at beginning of year	$ 383,426	$ 34,814	$ 816,129	$ 250,245	$ 13,031	$ 1,497,645
Additions	524,489	648,427	855,894	16,572,284	212,226	18,813,319
Deletions	534,784	628,510	772,123	16,553,958	210,878	18,700,252
Balance at end of year	373,131	54,731	899,900	268,571	14,378	1,610,711
Total Assets	$ 373,131	$ 54,731	$ 899,900	$ 268,571	$ 14,378	$ 1,610,711
Liabilities						
Due to others						
Balance at beginning of year	$ 383,426	$ 34,814	$ 816,129	$ 250,245	$ 13,031	$ 1,497,645
Additions	524,489	648,427	855,894	16,572,284	212,226	18,813,319
Deletions	534,784	628,510	772,123	16,553,958	210,878	18,700,252
Balance at end of year	373,131	54,731	899,900	268,571	14,378	1,610,711
Total Liabilities	$ 373,131	$ 54,731	$ 899,900	$ 268,571	$ 14,378	$ 1,610,711

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SUPPLEMENTARY INFORMATION

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

Board of Commissioners
McDuffie County, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McDuffie County, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise McDuffie County, Georgia's basic financial statements and have issued our report thereon dated June 28, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, that we have described in a separate letter to management dated June 28, 2013.

Compliance and Other Matters

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

McDuffie County, Georgia's Response to Findings

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

Purpose of this Report

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 28, 2013

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 1999 - 2003
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Project: SPLOST III
McDuffie County/City of Thomson, Georgia
Town 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					
McDuffie County					
Road Construction and Improvements	$ 1,000,000	$ 1,000,000	-	$ 1,000,000	100%
Water and Sewer Expansion	6,789,994	4,919,305	-	4,919,305	100%
Development Authority					
Industrial Development	3,000,000	3,000,000	-	3,000,000	100%
McDuffie County Hospital					
Hospital Expansion	4,000,000	4,000,000	-	4,000,000	100%
Hospital Expansion	500,000	500,000	-	500,000	100%
City of Thomson					
Big Creek	2,515,000	164,256	-	164,256	100%
Water and Sewer Expansion	1,195,006	1,195,006	-	1,195,006	100%
Town of Dearing					
Capital Project	-	99,614	-	99,614	100%
Totals	$ 19,000,000	$ 14,878,181	$ -	$ 14,878,181	

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2004-2008
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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	Percentage of Completion
Funded simultaneously						
City of Thomson						
Ladder truck	$ 517,000	$ 517,000	$ 517,000	$ -	$ 517,000	100%
Breathing appartus	65,000	64,242	64,242	-	64,242	100%
T/E Project	260,000	260,000	259,212	-	259,212	100%
Big Creek	2,515,000	3,370,550	3,370,550	-	3,370,550	100%
Scada	175,000	143,273	143,273	-	143,273	100%
Other city water/sewer projects	721,000	130,032	130,032	83,437	213,469	164%
Development Authority						
Economic Development	1,900,000	1,710,250	1,278,906	86,660	1,365,566	80%
Thomson Company	500,000	689,750	689,750	-	689,750	100%
McDuffie County						
Boys & Girls Club	-	117,909	116,894	-	116,894	99%
Water and Sewer	2,906,998	768,145	633,380	-	633,380	82%
Airport	-	8,240	8,240	2,203	10,443	127%
Road Construction and Improvements	2,721,482	2,795,178	2,700,952	6,319	2,707,271	97%
Recreation	2,500,000	2,453,644	2,512,123	-	2,512,123	102%
Technology	50,000	-	-	-	-	0%
Land	-	25,621	25,596	113	25,709	100%
Public Safety						
Pumpers (2)	243,992	34,440	-	-	-	0%
Fire Station #1	1,044,114	1,086,477	1,179,433	-	1,179,433	109%
Brush trucks (2)	-	61,340	61,340	-	61,340	100%
Rescue Truck	61,340	-	-	-	-	100%
Information Technology	50,000	-	-	-	-	0%
Gear	520	47,810	59,938	-	59,938	125%
Government Complex	1,600,000	2,514,038	2,510,567	14,304	2,524,871	100%
Government Complex - IT	100,000	101,552	97,255	-	97,255	96%
Senior Citizens Center	-	23,397	21,826	-	21,826	93%
Department of Family and Children's	-	3,999	-	3,999	3,999	100%
McDuffie County Hospital						
Ambulances (3)	270,000	234,630	234,630	-	234,630	100%
Cardiac monitor	-	41,928	41,928	-	41,928	100%
Hospital Expansion	1,000,000	1,000,000	1,000,000	-	1,000,000	100%
Town of Dearing						
Fire Station	-	25,000	25,000	-	25,000	100%
Gym Renovations	-	78,331	78,331	-	78,331	100%
Totals	$ 19,201,446	$ 18,306,776	$ 17,760,398	$ 197,035	$ 17,957,433	

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2009-2014
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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	$ 111,428	$ 57,032	$ 168,460	24%
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	185,723	12,831	198,554	66%
Walking Track	25,000	25,000	-	23,523	23,523	94%
Recreation other	690,000	690,000	-	-	-	0%
Land Acquisition for City Parks	108,000	108,000	-	2,788	2,788	3%
Water/Sewer						
Water Line Replacement	120,000	120,000	-	15,926	15,926	13%
Sewer Plant Improvement	1,000,000	1,000,000	7,470	430,702	438,172	44%
Usry Pond Improvement	750,000	750,000	-	-	-	0%
Augusta Road Plant Project	1,250,000	1,250,000	9,648	133,473	143,121	11%
Raising Usry Pond Dam	690,000	690,000	-	-	-	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	-	642	642	1%
Landscaping/Signage	50,000	50,000	-	-	-	0%
Airport						
Runway Overlay	200,000	200,000	41,609	29,161	70,770	35%
McDuffie County						
Government Center Complex						
Government Center	11,510,428	11,510,428	4,240,442	1,996,950	6,237,392	54%
Roads & Streets						
County Road Resurfacing	1,800,000	1,800,000	340,129	266,607	606,736	34%
Recreation						
Restrooms - Sweetwater Park Football	75,000	75,000	-	71,712	71,712	96%
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	-	573	573	1%
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	-	500,000	500,000	17%
Town of Dearing						
City Hall Playground Area & Bill Eubanks Improvement	150,000	150,000	-	-	-	0%
Totals	$ 25,385,428	$ 25,385,428	$ 6,012,067	$ 3,541,920	$ 9,553,987	

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, 2012

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	$290,104	$95,432	$123,506	$218,938	75%

See independent auditors' report.