SCHLEY COUNTY, GEORGIA

FINANCIAL REPORT

For the Fiscal Year Ended
JUNE 30, 2012

SCHLEY COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SCHLEY COUNTY, GEORGIA
Annual Financial Report
For the Year Ended June 30, 2012

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SCHLEY COUNTY, GEORGIA
Annual Financial Report
For the Fiscal Year Ended June 30, 2012

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FINANCIAL SECTION

CHAMBLISS, SHEPPARD, ROLAND & BAXTER, LLP

Independent Auditors' Report

Board of Commissioners of Schley County, Georgia
Ellaville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Schley County, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Schley County, Georgia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the Schley County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CERTIFIED PUBLIC ACCOUNTANTS
Ross M. Chambliss, Jr. William H. Sheppard
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GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Schley County, Georgia, has not presented *management's discussion and analysis*, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schley County's basic financial statements. The combining and individual non-major fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Schley County, Georgia. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia Annotated (OCGA) Section 48-8-121, and are not a required part of the basic financial statements. The combining and individual non-major financial statements, and the schedules of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chambliss Sheppard Roland & Baxter LLP

Americus, Georgia
January 8, 2013

SCHLEY COUNTY, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Schley County Department of Public Health
ASSETS				
Cash	$ 1,054,078	$ 28,484	$ 1,082,562	$ 25,351
Receivables (Net, where applicable, of allowances for uncollectible):				
Property Taxes	106,935	-	106,935	-
Sales Taxes	29,836	-	29,836	-
Accounts	93,259	43,859	137,118	-
Inventory	13,854	83,658	97,512	-
Internal balances	33,037	(33,037)	-	-
Restricted Cash	-	38,000	38,000	-
Pension net excess	45,258	-	45,258	-
Capital Assets, nondepreciable	253,682	10,000	263,682	-
Capital assets, depreciable net of Accumulated Depreciation	1,217,746	12,056,318	13,274,064	-
Total Assets	2,847,685	12,227,282	15,074,967	25,351
LIABILITIES				
Accounts Payable	84,926	5,593	90,519	-
Compensated Absences due within one year	9,992	991	10,983	-
Landfill postclosure care costs due within one year	25,921	-	25,921	-
Accrued Interest Payable	-	503,574	503,574	-
Short-term loan	-	825,476	825,476	-
Bonds Payable due within one year	-	63,311	63,311	-
Compensated Absences due in more than one year	26,263	1,797	28,060	6,800
Customer Deposits	-	37,010	37,010	-
Landfill postclosure care costs due in more than one year	578,119	-	578,119	-
Bonds Payable due in more than one year	-	5,494,116	5,494,116	-
Total Liabilities	725,221	6,931,868	7,657,089	6,800
NET ASSETS				
Investment in capital assets, net of related debt	1,471,428	6,018,657	7,490,085	-
Restricted for:				
Courthouse work	6,114	-	6,114	-
Capital projects	358,085	-	358,085	-
Judicial purposes	35,740	-	35,740	-
Public safety purposes	59,205	-	59,205	-
Jail inmates	591	-	591	-
Unrestricted	191,301	(723,243)	(531,942)	18,551
Total Net Assets	$ 2,122,464	$ 5,295,414	$ 7,417,878	$ 18,551

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Program	Expenses	Program Revenues: Fees, Fines & Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities	Business-type Activities	Total	Component Unit
Primary Government								
Governmental Activities:								
General Government	$ 588,140	$ 84,803	$ -	$ -	$ (503,337)	$ -	$ (503,337)	$ -
Judicial	230,649	129,164	-	-	(101,485)	-	(101,485)	-
Public Safety	757,334	146,364	14,935	-	(596,035)	-	(596,035)	-
Public Works	442,627	178,613	61,411	-	(202,603)	-	(202,603)	-
Health and Welfare	56,590	-	-	-	(56,590)	-	(56,590)	-
Culture and Recreation	86,428	-	-	-	(86,428)	-	(86,428)	
Housing and Development	27,700	-	-	-	(27,700)	-	(27,700)	-
Interest	-	-	-	-	-	-	-	-
Total Governmental Activities	2,189,468	538,944	76,346	-	(1,574,178)	-	(1,574,178)	-
Business-type Activities:								
Water Department	753,394	236,963	-	-	-	(516,431)	(516,431)	-
Sanitation Department	259,146	174,062	-	-	-	(85,084)	(85,084)	-
Total Business-Type Activities	1,012,540	411,025	-	-	-	(601,515)	(601,515)	-
Total Primary Government	$ 3,202,008	$ 949,969	$ 76,346	$ -	$ (1,574,178)	$ (601,515)	$ (2,175,693)	
Component Unit:								
Schley County Health Department	141,416	20,180	81,061	-	-	-	-	(40,175)
Total Component Units	$ 141,416	$ 20,180	$ 81,061					$ (40,175)
General revenues:								
Taxes:								
Property Taxes					1,373,867	-	1,373,867	-
Sales					517,754	-	517,754	-
Insurance Premium Tax					-	133,761	133,761	-
Other Taxes					87,886	-	87,886	-
Allotments from Participating Local Government					-	-	-	34,000
Interest Earnings					77	-	77	53
Rental Earnings					37,623	-	37,623	-
Gain / (Loss) on Sale of Capital Assets					20,418	-	20,418	-
(Loss) on Sale of Inventory					-	-	-	-
Miscellaneous					6,178	-	6,178	-
Total general revenues					2,043,803	133,761	2,177,564	34,053
Change in net assets					469,625	(467,754)	1,871	(6,122)
Net assets - Beginning of Year					1,652,839	5,763,168	7,416,007	24,673
Net assets - ending of year					$ 2,122,464	$ 5,295,414	$ 7,417,878	$ 18,551

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

ASSETS	General	Special 1% Sales Tax Fund 2003 - 2007	Special 1% Sales Tax Fund 2008 - 2013	Other Governmental Funds	Total
Cash in Bank	$ 602,736	$ 692	$ 357,393	$ 93,257	$ 1,054,078
Property Tax Receivable	106,935	-	-	-	106,935
Sales Tax Receivable	29,836	-	-	-	29,836
Accounts Receivable	93,259	-	-	-	93,259
Inventories	13,854	-	-	-	13,854
Due from Other Funds	173,034	188,376	-	2,279	363,689
Total Assets	1,019,654	189,068	357,393	95,536	1,661,651
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	84,926	-	-	-	84,926
Due to Other Funds	330,652	-	-	-	330,652
Deferred Revenue	143,196	-	-	-	143,196
Total Liabilities	558,774	-	-	-	558,774
FUND BALANCES (DEFICITS)					
Nonspendable	84,310	188,376	-	-	272,686
Restricted	6,114	692	357,393	94,945	459,144
Committed	-	-	-	591	591
Assigned	-	-	-	-	-
Unassigned	370,456	-	-	-	370,456
Total Fund Balances	460,880	189,068	357,393	95,536	1,102,877
Total Liabilities and Fund Balances	$ 1,019,654	$ 189,068	$ 357,393	$ 95,536	
	-	-	-	-	
Total net assets reported for governmental activities in the statement of net assets is different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					1,471,428
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					
Deferred Revenue				143,196	
Net Pension Excess				45,258	188,454
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					(640,295)
					$ 2,122,464

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year ended June 30, 2012

	General	Special 1% Sales Tax Fund 2003 - 2007	Special 1% Sales Tax Fund 2008 - 2013	Other Governmental Funds	Total
REVENUES:					
Property Taxes	$ 1,376,619	$ -	$ -	$ -	$ 1,376,619
Other Taxes	261,204	-	344,436	-	605,640
Licenses and Permits	12,827	-	-	-	12,827
Intergovernmental	76,346	-	-	-	76,346
Charges for Services	398,701	-	-	-	398,701
Fines and Forfeitures	105,845	-	-	17,349	123,194
Interest	-	-	-	77	77
Miscellaneous	42,913	-	-	6,178	49,091
Total Revenues	2,274,455	-	344,436	23,604	2,642,495
EXPENDITURES:					
Current Operating Expenditures					
General Government	364,763	-	-	-	364,763
Judicial	230,217	-	-	255	230,472
Public Safety	709,534	-	-	19,810	729,344
Public Works	468,633	-	-	-	468,633
Health and Welfare	49,952	-	-	-	49,952
Culture and Recreation	84,581	-	-	-	84,581
Housing and Development	27,700	-	-	-	27,700
Intergovernmental (City of Ellaville and	-	-	235,699	-	235,699
Capital Outlay	-	-	361,846	-	361,846
Total Expenditures	1,935,380	-	597,545	20,065	2,552,990
EXCESS OF REVENUES OVER EXPENDITURES	339,075	-	(253,109)	3,539	89,505
OTHER FINANCING SOURCES (USES):					
Sale of Capital Asset and Other Surplus	33,602	-	-	-	33,602
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	33,602	-	-	-	33,602
NET CHANGE IN FUND BALANCES	372,677	-	(253,109)	3,539	123,107
FUND BALANCE - BEGINNING OF YEAR	88,203	189,068	610,502	91,997	979,770
FUND BALANCE - END OF YEAR	$ 460,880	$ 189,068	$ 357,393	$ 95,536	$ 1,102,877

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

The change in net assets reported for governmental activities in the statement of activities is different because:		
Net change in *fund balances* - total governmental funds.		$ 123,107
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($87,929) exceeded capital outlays ($383,630) in the current period.		295,701
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,820)
Property tax receivable	(2,752)	
Ambulance accounts receivable	(1,068)	
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.		67,821
Compensated absences	(1,294)	
Pension cost	15,032	
Landfill postclosure costs payable	54,083	
The net effect of sales, trade-in and other disposals of capital assets is to decrease net assets:		
Cost of capital assets sold	(60,909)	
Accumulated Depreciation	47,725	(13,184)
Change in Net Assets of Governmental Activities.		$ 469,625

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
GENERAL FUND
BUDGETARY COMPARISON STATEMENT
GAAP BASIS
For the Year Ended June 30, 2012

	Original & Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)
REVENUES			
TAXES			
General Property	$ 1,393,581	$ 1,376,619	$ (16,962)
Timber Tax	35,000	25,522	(9,478)
Intangible Recordings	4,200	9,732	5,532
Interest, Cost, Penalties & Fees	12,900	41,222	28,322
1% Sales Tax	150,000	173,318	23,318
Real Estate Transfer Tax	3,000	2,392	(608)
Railroad Car Tax	7,200	7,489	289
Franchise Tax	2,000	1,491	(509)
Alcoholic Beverage Excise	96	38	(58)
Financial Institutions	5,000	-	(5,000)
Total Taxes	1,612,977	1,637,823	24,846
LICENSES AND PERMITS			
Alcohol Beverage License	250	250	-
Building Permits	5,000	12,577	7,577
Total Licenses and Permits	5,250	12,827	7,577
INTERGOVERNMENTAL			
State	2,400	68,611	66,211
Federal (through GEMA)	-	7,735	7,735
Total Intergovernmental	2,400	76,346	73,946
CHARGES FOR SERVICES			
Sheriff Fees and Charges	2,400	2,129	(271)
Superior Court Fees	30,000	21,189	(8,811)
County Shop Repair Service Fees and Fuel Sales	147,000	173,323	26,323
Ambulance Fees	70,000	107,287	37,287
Commission on Tax	62,000	65,664	3,664
Jail Contract City of Ellaville	18,000	18,000	-
State and Other County Inmate Housing	3,500	4,796	1,296
Election Qualifying Fees	-	4,099	4,099
Other Revenues	2,400	2,214	(186)
Total Charges for Services	335,300	398,701	63,401
FINES & FORFEITURES			
Fines - Superior Court	500	5,066	4,566
Magistrate Court Fines	15,000	10,371	(4,629)
Probate Court Fines & Fees	80,000	90,408	10,408
Total Fines and Forfeitures	95,500	105,845	10,345
INVESTMENT INCOME			
Interest Revenues	700	-	(700)
MISCELLANEOUS			
Rental Income	37,650	37,623	(27)
Driveway Pipe & Dirt Sales	3,500	5,290	1,790
Total Miscellaneous Revenue	41,150	42,913	1,763
Total Revenues	2,093,277	2,274,455	181,178

(continued)

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Non GAAP
For the Year Ended June 30, 2012

	Original & Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)
EXPENDITURES			
GENERAL GOVERNMENT			
Board of Commissioners	$ 14,500	$ 11,897	$ 2,603
County Clerk	106,033	66,666	39,367
Elections	22,712	17,710	5,002
Courthouse Upkeep & Utilities	11,200	21,086	(9,886)
Tax Commissioner	76,534	78,365	(1,831)
Tax Assessor	79,163	72,319	6,844
Board of Equalization	2,634	1,104	1,530
General Operations	144,900	95,616	49,284
Total General Government	457,676	364,763	92,913
JUDICIAL			
Magistrate Court	54,261	46,966	7,295
Probate Court	71,136	67,473	3,663
Superior Court	12,540	7,748	4,792
Indigent Defense	20,185	28,911	(8,726)
Clerk of Court	59,980	57,799	2,181
Grand Jury	16,762	7,168	9,594
District Attorney	8,000	4,000	4,000
Juvenile Court and Supervision	8,081	10,152	(2,071)
Total Judicial	250,945	230,217	20,728
PUBLIC SAFETY			
Sheriff	235,082	239,746	(4,664)
Jail	170,650	167,893	2,757
Community Service Supervision	4,806	2,645	2,161
Fire Department & Ambulance Service	272,187	274,716	(2,529)
Coroner	6,650	7,142	(492)
Emergency Management	5,975	5,218	757
Middle Flint E-911	16,500	12,174	4,326
Total Public Safety	711,850	709,534	2,316
PUBLIC WORKS			
Maintenance Department	272,260	254,774	17,486
Roads and Bridges	246,771	213,684	33,087
Landfill Closure Costs	75,000	175	74,825
Total Public Works	594,031	468,633	125,398
HEALTH AND WELFARE			
Health Department	43,760	42,026	1,734
Family and Children Services	10,500	7,926	2,574
Total Health and Welfare	54,260	49,952	4,308
CULTURE AND RECREATION			
Recreation	49,000	43,671	5,329
Library	22,424	21,535	889
Senior Citizens Center	25,000	19,375	5,625
Total Culture and Recreation	96,424	84,581	11,843

(Continued)

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Non GAAP
For the Year Ended June 30, 2012

	Original & Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)
EXPENDITURES (continued)			
HOUSING AND DEVELOPMENT			
Extension Service	19,165	18,774	391
Forestry Commission	8,926	8,926	-
Total Housing and Development	28,091	27,700	391
Total Expenditures	2,193,277	1,935,380	257,897
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(100,000)	339,075	439,075
OTHER FINANCING SOURCES			
Sale of Capital Assets and Other Surplus	-	33,602	33,602
Prior Year Carryover	100,000	-	(100,000)
Total Other Financial Sources	100,000	33,602	(66,398)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	-	372,677	372,677
Fund Balance (Deficit) - Beginning of Year	88,203	88,203	-
Fund Balance (Deficit) - End of Year	$ 88,203	$ 460,880	$ 372,677

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Enterprise Fund		
	Water Fund	Sanitation Fund	Total
ASSETS			
Current Assets			
Cash	$ (4,100)	$ 32,584	$ 28,484
Accounts Receivable, net of Allowance for Doubtful Accounts	22,952	20,907	43,859
Inventory	83,658	-	83,658
Due from General Fund	-	170,962	170,962
Due from Water Fund	-	65,045	65,045
Total Current Assets	102,510	289,498	392,008
Noncurrent Assets:			
Cash - Customer Deposits	38,000	-	38,000
Capital Assets			
Land	10,000	-	10,000
Building	20,796	-	20,796
Machinery, Equipment and Vehicles	178,786	-	178,786
Furniture & Fixtures	10,206	-	10,206
Water Plant and Wells	13,566,020	-	13,566,020
Total Capital Assets	13,785,808	-	13,785,808
Less: Accumulated Depreciation	(1,719,490)	-	(1,719,490)
Capital Assets, net of depreciation	12,066,318	-	12,066,318
Total Noncurrent Assets	12,104,318	-	12,104,318
Total Assets	12,206,828	289,498	12,496,326
LIABILITIES			
Current Liabilities:			
Accounts Payable	5,593	-	5,593
Compensated Absences	(62)	1,053	991
Accrued Interest Payable	503,574	-	503,574
Notes Payable Bank	825,476	-	825,476
Notes Payable USDA Bonds	63,311	-	63,311
Total Current Liabilities	1,397,892	1,053	1,398,945
Long-Term Liabilities:			
Due to General Fund	142,519	-	142,519
Due to 2003 - 2007 SPLOST Fund	26,480	35,000	61,480
Due to Sanitation Fund	65,045	-	65,045
Customer Water Deposits	37,010	-	37,010
Compensated Absences	-	1,797	1,797
Notes Payable USDA Bonds	5,494,116	-	5,494,116
Total Long-Term Liabilities	5,765,170	36,797	5,801,967
Total Liabilities	7,163,062	37,850	7,200,912
NET ASSETS			
Investment in capital assets, net of related debt	6,018,657	-	6,018,657
Unrestricted	(974,891)	251,648	(723,243)
Total Net Assets	$ 5,043,766	$ 251,648	$ 5,295,414

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise Fund		
	Water Fund	Sanitation Fund	Total
OPERATING REVENUES			
Charges for Services	$ 232,918	$ 174,062	$ 406,980
Water Tap-on and Other Fees	4,025	-	4,025
Other Fees	20	-	20
Total Operating Revenues	236,963	174,062	411,025
OPERATING EXPENSES			
Personal Services	46,678	38,021	84,699
Material & Supplies	3,205	-	3,205
Maintenance, Operations & Contracted	124,573	221,125	345,698
Depreciation	302,016	-	302,016
Total Operating Expenses	476,472	259,146	735,618
Operating Income (Loss)	(239,509)	(85,084)	(324,593)
NON-OPERATING REVENUE (EXPENSE)			
Insurance Premium Tax	-	133,761	133,761
Interest Expense	(276,922)	-	(276,922)
Net Non-Operating Revenue (Expense)	(276,922)	133,761	(143,161)
CHANGE IN NET ASSETS	(516,431)	48,677	(467,754)
NET ASSETS - BEGINNING OF YEAR	5,560,197	202,971	5,763,168
NET ASSETS - END OF YEAR	$ 5,043,766	$ 251,648	$ 5,295,414

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise Fund		
	Water Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	$ 240,144	$ 170,884	$ 411,028
Cash Payments to Suppliers for Materials and Supplies	(4,011)	-	(4,011)
Cash Payments to Employees for Services	(34,808)	(32,455)	(67,263)
Maintenance, Operating & Contract Services	(133,816)	(225,590)	(359,406)
Net Cash Provided (Used) by Operating Activities	67,509	(87,161)	(19,652)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Customer Water Deposits Received	1,515	-	1,515
Insurance Premium Tax	-	133,761	133,761
Net Cash Provided by Non-Capital Financing Activities	1,515	133,761	135,276
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on Long-Term Debt	(17,658)	-	(17,658)
Interest Paid on Long-Term Debt	(69,222)	-	(69,222)
Proceeds from Short-Term Bank Loan	825,126	-	825,126
Payments on Short-Term Bank Loan	(825,126)	-	(825,126)
Interest Paid on Short-Term Bank Loans	-	(27,545)	(27,545)
Cash Received from Sale of Surplus Inventory	2,137	-	2,137
Net Cash (Used) by Capital and Related Financing Activities	(84,743)	(27,545)	(112,288)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	-	-	-
Net Cash Provided (Used) by Investing Activities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(15,719)	19,055	3,336
Cash and Cash Equivalents at June 30, 2011	49,619	13,529	63,148
Cash and Cash Equivalents at June 30, 2012	$ 33,900	$ 32,584	$ 66,484
Displayed as:			
Cash - Operations Account	$ (4,100)	$ 32,584	$ 28,484
Cash - Customer Deposits	38,000	-	38,000
	$ 33,900	$ 32,584	$ 66,484

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise Fund		
	Water Fund	Sanitation Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES			
Operating Income (Loss)	$ (239,509)	$ (85,084)	$ (324,593)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities :			
Depreciation	302,016	-	302,016
(Increase) Decrease in Accounts Receivable	3,183	(3,178)	5
(Increase) Decrease in Inventories	9,956	-	9,956
(Increase) Decrease in Due from General Fund	12,351	5,565	17,916
Increase (Decrease) in Accounts Payable	(17,969)	(4,464)	(22,433)
Increase (Decrease) in Compensated Absences	(2,519)	-	(2,519)
Net Cash Provided By (Used In) Operations	$ 67,509	$ (87,161)	$ (19,652)

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
June 30, 2012

	Agency Funds
ASSETS	
Cash	$ 206,348
Taxes Receivable (net of doubtful accounts $18,991)	159,474
Total Assets	$ 365,822
LIABILITIES	
Due to Others	$ 365,822
Total Liabilities	$ 365,822

See accompanying notes to financial statements.

Note 1 – Summary of Significant Accounting Policies

The financial statements of Schley County have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the County's accounting policies are described below.

1-A. Reporting Entity

Schley County was established in 1857, and is a political subdivision of the State of Georgia. Schley County operates under a County Commissioner form of government with four elected commissioners to represent the four districts in the County plus one commissioner elected at large to serve as chairman. The Commissioners, who serve on a part-time basis, are elected to staggered terms of four years. The Commissioners are responsible for the day-to-day operations of the general government including the proprietary funds. The Board of County Commissioners' regular monthly meeting is held on the second Tuesday night of each month.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Schley County, Georgia (the primary government), and component units. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. The primary government also includes the constitutionally elected officers – Tax Commissioner, Sheriff, Probate Judge, Magistrate Judge, and Clerk of Superior Court. The Board of Commissioners budgets and approves all funding used by the separate constitutional officers.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organizations; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the County is obligated for the debt of the organization.

Discretely presented component units generally are reported only at the government-wide financial reporting level.

The component unit column included on the government-wide financial statements identifies the financial data of the County's discretely presented component unit. Component units are reported separately to emphasize that they are legally separate from the County.

The following component unit is discretely presented in the reporting entity:

Schley County Health Department (Health Department) – Title 31, Chapter 3 of the Official Code of Georgia Annotated, establishes County Boards of Health and prescribes their powers, functions and membership. The Health Department is charged with determining the health needs and resources of the County, developing programs, activities, and facilities responsive to those needs, and enforcing all laws relating to health matters unless they fall under the jurisdiction of other agencies. The Board of Health is composed of seven members whose, qualifications are stipulated in the Code. One member is a Schley County Commissioner, and three are appointed by the County Commission. The County does not have the authority to approve or modify the Health Department's budgets, however, it does have the ability to control the amount of funding it provides and such funding is significant to the operations of the Health Department. The Health Department issues separately audited financial statements with a fiscal year ended June 30, 2012. Copies of these financial statements may be obtained from the administrative office at: The Schley County Health Department, 45 W. Oglethorpe St., Suite B, Ellaville, Georgia 31806.

See Notes 16 & 17 for descriptions of relationships with organizations other than component units.

1-B. Basis of Presentation

The County's basic financial statements consist of: government-wide statements, and fund financial statements.

Government-wide Financial Statements – The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information for the County as a whole for all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the County's proprietary funds and the various other functions of the County. *Governmental activities*, which generally are supported by taxes and County general revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial position on the last day of the fiscal year of the primary government (its governmental and business-type activities) and the discretely presented component unit of the County.

The statement of activities presents a comparison between direct expenses and program revenues (defined below) for each function of the County's governmental activities and for each identifiable activity of the business-type activities of the County. A *function* is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The comparisons of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. *Direct expenses* are those that are specifically associated with a function, and are, therefore, clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the statement of activities. *Program revenues* include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted. Taxes and other revenue sources not properly included with program revenues are reported as *general revenues* of the County.

Fund Financial Statements – In order to aid financial management and to demonstrate legal compliance, the County segregates transactions related to certain County functions or activities in separate funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the County at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The major individual governmental and enterprise funds are reported in separate columns. Non-major funds can be reported together in one column. Agency funds are the only fiduciary fund. The County uses funds to maintain its financial records during the year. The County uses three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between governmental fund assets and liabilities as fund balance. The following are the County's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in other funds described below. Additionally, the General Fund sells diesel and gasoline to and provides vehicle and equipment maintenance for the County, City of Ellaville, County School, and the Regional E-911 Authority. Each separate governmental body is billed monthly for work performed on equipment and vehicles. The general fund's fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Georgia.

Special 1% Sales Tax Funds **(SPLOST 2003 – 2007 and SPLOST 2008 – 2013)** – These are Capital Projects Funds which are used to collect a special 1% sales tax to pay for building improvements, development of recreation

facilities, and equipment for fire and ambulance, road, sheriff and other governmental departments according to the project based budget. An agreed upon percentage of each of these taxes is allocated to the City of Ellaville for their capital purposes.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise funds. The major proprietary funds are as follows:

Water Fund – This fund is used for the operation of the County's water system which provides services to the residents and businesses located within Schley County and portions of Sumter County.

Sanitation Fund – This fund is used to account for the operations of the County's solid waste disposal program. The County contracts for the disposition of its solid waste.

Fiduciary Funds – The County's fiduciary funds are agency funds. Constitutional officers use these funds to account for the collection and disbursement of monies on behalf of other governments and individuals, such as ad valorem and property tax, court fees, and fines. Fiduciary Fund reporting focuses on net assets. These agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The measurement focus (defined below) of the governmental funds balance sheet generally includes only current assets and current liabilities. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

1-C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide Financial Statements – The government-wide and proprietary funds financial statements are reported using the *economic resources* measurement focus and the *accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds are accounted for on the accrual basis.

Governmental Fund Financial Statements – The governmental funds financial statements are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for water and solid waste programs; and maintenance cost charge for maintenance service. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of each program. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1-D. Assets, Liabilities and Fund Equity

1-D-1. Cash, Cash Equivalents, and Investments

For the County and the discretely presented component unit, cash and cash equivalents include amounts in demand deposit accounts as well as short-term investments with a maturity date within three months of the date acquired by the County. The County does not have a formal deposit policy for custodial credit risk.

Georgia law, authorizes the County to invest in obligations of the State of Georgia or of any other states, obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, obligations of any corporation of the government, prime bankers' acceptances, the State of Georgia local government investment pool (i.e., Georgia Fund 1), repurchase agreements, and obligations of the other political subdivisions of the State of Georgia.

Investments, if any, are stated at fair value based on quoted market prices. The County does not have a formal investment policy that would identify and manage investment rate risk.

1-D-2. Prepaid Items

Payments to vendors applicable to future accounting periods are recorded as prepaid items in the proprietary funds and the government-wide financial statements. In the government funds these type payments would be expenditures when paid.

1-D-3. Restricted Assets

Customer security deposits, and funds held in separate accounts for Water System construction are classified as restricted in the Statement of Net Assets.

1-D-4. Receivables and Payables

All trade receivables and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

1-D-5. Interfund Receivables and Payables

On the governmental fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the government-wide statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as "internal balances".

1-D-6. Inventories

On the government-wide financial statements and the fund financial statements, inventories are presented at the lower of cost (first-in, first-out basis) or market. Inventories of the governmental funds and the proprietary funds are expensed when used (i.e., the consumption method). Inventory reported in the governmental fund balance sheet consists of bulk fuel.

1-D-7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide statement of net assets, but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. Improvements to capital assets are capitalized. The County has not capitalized infrastructure assets (roads and bridges) acquired prior to July 1, 2003. The costs of normal maintenance and repairs that do not add to the value of the asset or

materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated, except for land and construction in progress. 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Primary Government		
Land Improvements	20 years	20 years
Buildings and Plant	50 years	45 - 50 years
Machinery and equipment	5 – 12 years	5 – 10 years
Vehicles	4 - 8 years	6 years
Water plant and wells	Not Applicable	35 – 50 years
Component Unit		
Machinery and equipment	5 – 10 years	

1-D-8 Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Deferred revenue is reported on governmental fund financial statements (i.e. on the modified accrual basis), in connection with receivables for revenues that will not be collected within the available period, and, thus, not available to liquidate liabilities of the current period. Property taxes and ambulance fees receivable are included in deferred revenue.

1-D-9. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick benefits. Based on length of service, employees earn vacation leave at the rate of from 40 to 120 hours per year. Up to 160 hours of unused vacation time may be carried over and may be paid upon termination or resignation.

Employees accrue sick leave at the rate of one day for each month worked, and may accumulate up to 90 days. No liability accrues for unpaid accumulated sick leave after June 30, 2003. Accumulated sick leave prior to July 1, 2003 may be paid upon termination or resignation up to a maximum of 30 days at their current pay rate.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only *"when due."*

1-D-10. Accrued Liabilities and Long-term Obligations

In both the government-wide financial statements and in the proprietary fund type financial statements, all payables, accrued liabilities, and long-term obligations are reported in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. The face amount of long-term debt issued is reported as other financing sources. Debt service expenditures are recognized as a liability in the governmental fund financial statements when due.

1-D-11. Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. In the fund financial statements, governmental fund types report bond premiums and discounts as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

1-D-12. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus. In the fund financial statements, government funds report fund balance classifications following a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which amounts in the fund can be spent. Fund balances are classified as follows: *Nonspendable* – Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. R*estricted* - Amounts that can only be used for the specific purposes stipulated by (a) constitutional provisions or enabling legislation or (b) external constraints imposed by creditors, resource providers, or laws or regulations of other governments. *Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Schley County Board of Commissioners. *Assigned* – Amounts intended to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Board of Commissioners, another body (such as a finance committee), or by an official to whom that authority has been given. *Unassigned* - This is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications. The County reports positive unassigned fund balance only in the General Fund.

Flow Assumptions - When both restricted and unrestricted fund balances are available for expenditures, restricted amounts will be used first and then unrestricted amounts as

available. Unrestricted amounts of fund balance will be used in the following order: committed, assigned, unassigned.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The net asset amount also is adjusted by any bond issuance deferred amounts. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted. 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.

1-D-13. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, grants, or other contributions of resources restricted to capital acquisition and construction.

1-E. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as a separate category after non-operating revenues/ expenses in proprietary funds.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported below general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

1-F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

2-A. Budgetary Information

Schley County adopts an annual appropriated budget for the general fund on a basis consistent with generally accepted accounting principles, except that budgeted expenditures includes repayment of the Tax Anticipation Loan, and inventory. The County Clerk prepares

the budget based on requests from department heads and other elected officials, and submits it to the Board of County Commissioners for review. After conducting public hearings, the Commissioners adopt the budget by passing the budget resolution. The operating budget includes proposed expenditures and the means of financing them. Annual operating budgets are adopted for the water fund, and the sanitation fund for planning, control, and evaluation purposes. Annual budgets were not adopted for the special revenue funds reported on pages 40 - 42 as required by OCGA 36-81-3(b). Budgets for the Capital Projects Funds are adopted on a project basis.

The level of budgetary control (the level at which expenditures may not exceed appropriations) is the department level with the following provisions:

- The County Commissioners may transfer funds from one object or purpose to another within the same department.
- The Commissioners may amend the budget by motion during the fiscal year.

2-B. Excess of Expenditures Over Appropriations (General Fund)

The following schedule presents material excess of actual expenditures over the appropriations for the year ended June 30, 2012, at the department level (the legal level of control):

	Budget	Actual	Overage
Courthouse Utilities and Upkeep	$ 11,200	$ 21,086	$ (9,886)
Indigent Defense	20,185	28,911	(8,726)
Sheriff	235,082	239,746	(4,664)
Fire Department and Ambulance Service	272,187	274,716	(2,529)

Material excesses for the above is defined as $2,500 or more. The excesses were funded with revenue overages and cost savings in other departments. For future years, the Commissioners will emphasize cost controls.

2-C. Deficit Fund Equity

In the Enterprise Fund, the Water Fund unrestricted net deficit is due to operating expenditures exceeding revenues. The Commissioners expect that the deficit will not be corrected in future years, because new customers tap-on to the system are expected to continue to be substantially less than projected.

Note 3 – Deposits and Investments

Deposits - State statutes require that the County take appropriate measures to mitigate *Custodial Credit Risk* for their deposits. Custodial Credit Risk for deposits is the risk that, in the event of bank failure, the County's funds on deposit would be lost. The County has no formal policy for deposit custodial credit risk. County funds are on deposit at a local FDIC insured bank in non-interest bearing accounts. All of the county's deposits have unlimited coverage by the FDIC. No securities were required to be pledged.

Investments - As of and for the year ended June 30, 2012, the County did not have any investments. To mitigate *Credit Risk,* State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations fully insured or guaranteed by the U.S. government or by any government agency or the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The County does not have a formal investment policy that addresses *Interest Rate Risk* as a means of limiting its exposure to fair value losses arising from rising interest rates.

Note 4 – Receivables

The following table summarizes the County's taxes and accounts receivable as of June 30, 2012:

	General	Water	Sanitation	Total
Receivables				
Taxes	$ 147,148	$ -	$ -	$ 147,148
Accounts	520,199	38,196	110,805	669,200
Gross Receivables	667,347	38,196	110,805	816,348
Less: allowance for uncollectibles	(437,317)	(15,244)	(89,898)	(542,459)
Net Receivables	$ 230,030	$ 22,952	$ 20,907	$ 273,889

Non-current net receivables of $143,196 are reported as assets, but on the Balance Sheet of the Governmental Funds, they are reported as deferred revenue, because they do not represent financial resources available to pay current expenditures.

Property taxes for the 2011 digest were levied on September 13. 2011. Taxes were billed on October 4, 2011, and were due and payable by December 20, 2011.

The County bills and collects its own property taxes as well as taxes for the State and County School District. Collections of the County taxes and their remittances are accounted for in the Tax Commissioner's Agency Fund.

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$ 217,123	$ -	$ -	$ 217,123
Construction in progress	30,049	6,510	-	36,559
Total Capital Assets, not being depreciated	247,172	6,510	-	253,682

Construction in progress consists of architectural planning and some minor interior repairs and renovation to the courthouse - funded by SPLOST 2003-07; and down payment of phone system – funded with general revenues.

Note 5 – Capital Assets (continued)

Governmental Activities (continued):

	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets, being depreciated:				
Buildings	1,317,008	316,270	-	1,633,278
Machinery and equipment	1,260,773	56,350	(60,909)	1,256,214
Furniture and fixtures	158,143	4,500	-	162,643
Total capital assets, being depreciated	2,735,924	377,120	(60,909)	3,052,135
Accumulated depreciation:				
Buildings	(602,823)	(28,625)	-	(631,448)
Machinery and equipment	(1,033,857)	(59,102)	47,725	(1,045,234)
Furniture and fixtures	(157,505)	(202)	-	(157,707)
Total accumulated depreciation	(1,794,185)	(87,929)	47,725	(1,834,389)
Total capital assets, being depreciated, net	941,739	289,191	(13,184)	1,217,746
Governmental activities capital assets, net	$ 1,188,911	$ 295,701	$ (13,184)	$ 1,471,428

Governmental activities depreciation	
General government	$ 7,302
Judicial	177
Public safety	44,419
Public works	27,546
Health and welfare	6,638
Culture and recreation	1,847
Total governmental activities depreciation expense	$ 87,929

	Beginning	Additions	Deductions	Ending
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 10,000	$ -	$ -	$ 10,000
Total Capital Assets, not being depreciated	10,000	-	-	10,000
Capital Assets, being depreciated:				
Building and plant	20,797	-	-	20,797
Machinery and equipment	178,786	-	-	178,786
Furniture and fixtures	10,205	-	-	10,205
Water plant and wells	13,566,020	-	-	13,566,020
Total capital assets, being depreciated	13,775,808	-	-	13,775,808

Note 5 – Capital Assets (continued)

Business-Type Activities (continued):

	Beginning	Additions	Deductions	Ending
Accumulated depreciation:				
Building and plant	$ (3,085)	$ (416)	$ -	$ (3,501)
Machinery and equipment	(116,436)	(19,306)	-	(135,742)
Furniture and fixtures	(7,569)	(1,021)	-	(8,590)
Water plant and wells	(1,290,384)	(281,273)	-	(1,571,657)
Total accumulated depreciation	(1,417,474)	(302,016)	-	(1,719,490)
Total capital assets, being depreciated, net	12,358,334	(302,016)	-	12,056,318
Business-type activities capital assets, net	$ 12,368,334	$ (302,016)	$ -	$ 12,066,318

Business-type activities depreciation	
Water Fund	$ 302,016
Sanitation Fund	-
Total Business-type activities depreciation expense	$ 302,016

Component Unit

Schley County Health Department

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, being depreciated				
Machinery and equipment	$ 43,273	$ -	$ -	$ 43,273
Less: Accumulated depreciation	(43,273)	-	-	(43,273)
Schley County Health Department	$ 0	$ 0	$ 0	$ 0

Note 6 – Interfund Balances and Transfers

Due to / from other funds:

In prior years funds have made loans to one another to alleviate cash flow needs. The following table represents balances of interfund operating loans at June 30, 2012:

Receivable fund	Payable Fund	Amount
SPLOST 2003-2007	Water	$ 26,480
SPLOST 2003-2007	Sanitation Fund	35,000
SPLOST 2003-2007	General Fund	126,896
Sanitation Fund	Water Fund	65,045
Sanitation Fund	General Fund	201,477
General Fund	Water Fund	70,457
Other Governmental Funds	General Fund	2,279
		$ 527,634

The County expects that the interfund operating loans will be repaid in more than one year.

Note 6 – Interfund Balances and Transfers (continued)

Due to / from other funds (continued):

The General Fund maintains a central payroll account through which salaries and wages and related taxes and benefits are paid for the general fund and the enterprise funds. In addition, the general fund maintenance department (shop) sells gas and diesel, and repairs vehicles and equipment for the water and sanitation fund. The funds record receivables and payables for their share of reimbursable expenses and, when funds are available, they make reimbursements to the general fund. The following table represents balances in costs and expenses reimbursable to the general fund:

Receivable fund	Payable Fund	Amount
General Fund	Sanitation Fund	$ 30,515
General Fund	Water Fund	72,062
		$ 102,577

At June 30, 2012 the General Fund owed $2,279 to the Jail Construction Special Revenue Fund.

Interfund transfers: No interfund transfers occurred during the fiscal year.

Note 7 – Fund Equity

Below are the fund balance classifications for the governmental funds at June 30, 2012:

	General	Special 1% Sales Tax Fund 2003 - 2007	Special 1% Sales Tax Fund 2008 - 2013	Other Governmental Funds
Fund Balances				
Nonspendable				
Inventory	$ 13,853	$ -	$ -	$ -
Long term Receivable from Water Fund	70,457	26,480	-	-
Long term Receivable from Sanitation Fund	-	35,000	-	-
Long term Receivable from General Fund	-	126,896	-	-
Total Nonspendable	84,310	188,376	-	-
Restricted				
Capital Projects	-	692	357,393	-
For Courthouse Renovation	6,114	-	-	-
Law Library Fund	-	-	-	35,740
County Drug Forfeiture Fund	-	-	-	7,995
County Jail Construction Fund	-	-	-	32,904
Sheriff's Department	-	-	-	666
Sheriff's Drug Fund	-	-	-	17,640
Total Restricted	6,114	-	357,393	94,945
		-		
Committed				
Jail Inmate Services Fund	-	-	-	591
Unassigned	370,456	-	-	-
Total Fund Balances	$ 460,880	$189,068	$ 357,393	$ 95,536

Note 8 – Short-Term Debt

Primary Government

Changes in Short-Term Debt – The following schedule presents changes in short-term debt during the year ended June 30, 2012.

Business-Type Activities:

	Outstanding 6/30/2011	Additions	Reductions	Outstanding 6/30/2012
Multiple Advance Note	$ 825,126	$ 825,476	$ (825,126)	$ 825,476
Total Business-Type Activities	$ 825,126	$ 825,476	$ (825,126)	$ 825,476

As of June 30, 2012, the County Board of Commissioners had made the following short-term loans with a local bank:

Water Fund: To provide operating cash and funds for installation of additional water lines. Revenues from the Water Fund will be used to repay these loans.

Single Advance loan dated January 3, 2012, was obtained from a local bank; maturity date is December 31, 2012. Interest accrues at 3.250% per annum payable at maturity. Accrued interest payable as of June 30, 2012 was $13,339.	$ 825,476

The short-term loan is not collateralized.

Note 9 – Long-Term Debt

Primary Government

Changes in Long-Term Debt – Changes in the County's long-term obligations consisted of the following for the year ended June 30, 2012:

	Outstanding 6/30/2011	Additions	Reductions	Outstanding 6/30/2012	Amounts Due in one Year
Governmental Activities:					
Compensated Absences	$ 34,961	$ 13,748	$ (12,454)	$ 36,255	$ 9,992
Landfill Postclosure Costs	658,123	-	(54,083)	604,040	25,921
Total Governmental Activities	$ 693,084	$ 13,748	$ (66,537)	$ 640,295	$ 35,913

Compensated absences are liquidated by the General Fund. Landfill postclosure costs will be liquidated by the Sanitation Fund and the General Fund.

Business-Type Activities:					
Compensated Absences	$ 5,369	$ 1,478	$ (4,059)	$ 2,788	$ 991
Water Revenue Bonds	5,575,085	-	(17,658)	5,557,427	63,311
Total Business-Type Activities	$5,580,454	$ 1,478	$ (21,717)	$ 5,560,215	$ 64,302

Principal and interest payments related to the County's water enterprise fund are financed from income derived from the operation of the water system. Compensated absences are liquidated by the Water and Sanitation Funds.

Note 9 – Long-Term Debt (continued)

Primary Government (continued)

Compensated absences liability will be paid from the fund from which the employees' salaries are paid. For governmental activities, compensated absences are generally liquidated by the General Fund. Landfill closure and post closure costs will be liquidated by the General Fund and any unrestricted net assets in the Sanitation Fund.

Landfill post closure costs: In 1996 the Schley County Municipal Solid Waste Landfill (MSWLF) was closed following EPD Guidelines. In accordance with State and Federal laws and regulations, the County must perform certain maintenance and monitoring functions at the site for a minimum of 30 years. The County has contracted with a geotechnical, environmental and construction materials consultant to conduct post-closure monitoring and assessment. This work includes routine monitoring activity and contamination assessment. Based on the consultant's projections as of July 1, 2012, for the next five years, management has estimated $604,040 as the amount necessary to perform future closure and post closure functions. Actual costs may be higher due to changes in inflation, technology or applicable laws or regulations. Post-closure monitoring and assessment costs will be paid from the General and/or Sanitation Fund based on budget.

Water Revenue Bonds:

Series 2003: On April 9, 2003, Schley County issued Water Revenue Bonds, Series 2003, in the principal amount of $1,594,600 to finance part of the cost of a county–wide water distribution, commonly referred to as Phase One. The registered owner of the Bonds is the United States Department of Agriculture, Rural Development. The Bonds are secured by a first and prior pledge of and charge or lien on the revenues of the Water System of Schley County. Beginning May 9, 2004, the County is to make monthly installments of $7,240 which includes interest at 4.50% for a maximum of 468 payments.

The Sinking Fund required to be used in accordance with the issuing Resolution has had no transactions applied since its inception.

The following schedule presents annual payment amortization for the next five years, and in five year increments thereafter for the life of the bonds:

Year Ending June 30,	Interest	Principal
2013	64,615	22,265
2014	63,592	23,288
2015	62,522	24,358
2016	61,403	25,477
2017	60,233	26,647
2018 - 2022	281,639	152,761
2023 - 2027	243,174	191,226
2028 - 2032	195,024	239,376
2033 - 2037	134,750	299,650
2038 - 2042	59,300	375,100
2043	1,271	65,865
Total	$ 1,227,523	$ 1,446,013

Note 9 – Long-Term Debt (continued)

Primary Government (continued)

Series 2008: On September 3, 2008, Schley County issued Water Revenue Bonds, Series 2008, in the principal amount of $4,112,400 to finance part of the cost of a county–wide water distribution, commonly referred to as Phase Two. The registered owner of the Bonds is the United States Department of Agriculture, Rural Development. The Bonds are secured by a first lien on the net revenues of the Water System of Schley County, on a parity with the lien thereon securing the Series 2003 bonds. An interest only payment of $179,917.50 was made on the first anniversary, but because it was paid early, $985.87 was applied to principal. Beginning October 3, 2009, the Bonds require monthly installments of $18,342.00 which includes interest at 4.375% for a maximum of 468 payments.

During the fiscal year ended June 30, 2012, no payments were made. The loan is in default. (See Note 15)

The Sinking Fund required to be used in accordance with the issuing Resolution has had no transactions applied since its inception.

The following schedule presents annual payment amortization for the next five years, and in five year increments thereafter for the life of the bonds assuming USDA makes no loan modifications and requires payment of all delinquent interest:

Year Ending June 30,	Interest	Principal
2013	669,292	41,046
2014	177,226	42,878
2015	175,312	44,792
2016	173,312	46,792
2017	171,223	48,881
2018 - 2022	821,374	279,146
2023 - 2027	753,255	347,265
2028 - 2032	668,514	432,006
2033 - 2037	563,093	537,427
2038 - 2042	431,948	668,572
2043 - 2047	268,799	831,721
2048 - 2051	71,061	790,888
Total	$ 4,944,409	$ 4,111,414

Interest due in fiscal year 2013 includes accrued interest of $490,234 due as of June 30, 2012.

Component Unit
Schley County Health Department

Long-term activity for the year ended June 30, 2012, was as follows:

	Outstanding 6/30/2011	Additions	Reductions	Outstanding 6/30/2012	Due within One Year
Governmental Activities:					
Compensated Absences	$ 10,917	$ 6,569	$ (10,686)	$ 6,800	$ 6,569

Compensated absences will be paid by the Schley County Health Department.

Note 10 – Defined Benefit Pension Plan

The County sponsors the Association County Commissioners of Georgia Restated Pension Plan for Schley County Employees (The Plan), which is a defined benefit pension plan. All full-time employees meeting the provisions set out in the Adoption Agreement are eligible on the first day of the month coincident with or following the date the employee completes three years of service.

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

Normal retirement (as opposed to early retirement, vested termination or disability retirement) is at age 65 and one year of Plan participation. Upon eligibility to retire, participants are entitled to monthly benefit equal to 0.75% of Average Annual Compensation (the highest average of the participant's compensation over five consecutive plan years during the ten plan years preceding the participant's date of retirement or other termination) multiplied by years of service.

Complete financial statements for the Association County Commissioners of Georgia Third Restated Defined Benefit Plan can be obtained from GEBCorp., 400 Galleria Parkway, Suite 1250, Atlanta, Georgia 30339. The plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and incremental changes in the cash value of pre-retirement life insurance policies owned by the trust. County contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable. Investments in securities are valued at current market prices. The trust fund is invested, approximately, in 60% equities and 40% fixed income securities on a cost basis.

The County is required to contribute at an actuarially determined rate 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 as set forth in Section 47-20 of the Georgia Code. Plan participants are not required to contribute to the plan.

The actuarial accrued liability was computed as part of an actuarial valuation as of January 1, 2012. Significant actuarial assumptions used in the valuation include: (a) an assumed rate of return on assets of 7.75% compounded annually, (b) projected salary increases of 4.0%-6.5% per year based on age, and (c) no post-retirement benefit increases. Both (a) and (b) include an expected inflation rate of 3% per year.

Note 10 – Defined Benefit Pension Plan (continued)

The Plan's funding policy provides for contributions under the "Projected Unit Credit" actuarial cost method. The actuarial asset valuation was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percent of pay on a closed basis. The remaining amortization period at January 1, 2011, was estimated to be 9 years.

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 (NPO)

Net Pension Obligation (Asset) at 1/1/11	($30,226)
Actual Pension Cost for Prior Year	19,376
Actual Contributions to Plan for Prior Year	(34,408)
Net Pension Obligation (Asset) at 1/1/12	($45,258)

Derivation of Annual Pension Cost

	1/1/12	1/1/11
Annual Required Contribution	$19,299	$19,213
Interest on NPO	(3,507)	(2,343)
Amortization of NPO	3,753	2,506
Annual Pension Cost	$19,545	$19,376

Trend Information for the Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
January 1, 2012	$ 19,545	N/A	N/A	($ 45,258)
January 1, 2011	19,376	34,408	110%	(30,226)
January 1, 2010	17,870	20,222	113%	(27,874)
January 1, 2009	20,439	23,374	114%	(24,939)
January 1, 2008	19,991	22,900	115%	(22,030)
January 1, 2007	28,298	32,239	114%	(18,089)
January 1, 2006	18,081	21,696	120%	(14,474)
January 1, 2005	21,793	26,996	124%	(9,271)
January 1, 2004	19,440	25,174	129%	(3,537)
July 1, 2003	9,463	13,000	137%	0

Analysis of funding progress

Measurement Date (year ended December 31,)	(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)
2011	$ 168,576	$ 270,201	62.4%	$ 101,625	$ 242,945	41.8%
2010	145,915	258,788	56.4%	112,873	219,988	51.3%
2009	136,528	253,527	53.9%	116,999	247,010	47.4%
2008	121,996	239,231	51.0%	117,235	300,471	39.0%
2007	117,170	242,261	48.4%	125,091	423,499	29.5%
2006	83,484	191,589	43.6%	108,105	264,113	40.9%
2005	62,783	207,132	30.3%	144,349	260,401	55.4%
2004	36,365	184,330	19.7%	147,965	246,502	60.0%
2003	12,209	163,482	7.5%	151,273	244,178	62.0%

The assets and liabilities shown above reflect expected amounts as of the last day of the plan year. These amounts may vary from those used in determining the required contribution, since those calculations use actual amounts as of the first day of the next plan year.

Note 10 – Defined Benefit Pension Plan (continued)

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 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 in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

The "Actuarial Value of Assets" for the years ended December 31, 2008 - 2011, reflects change to asset smoothing adopted by thy ACCG Pension Plan and Trust Board of Trustees.

Note 11 – Deferred Compensation Plan

Schley County has adopted the ACCG Deferred Compensation Program created in accordance with Internal Revenue Code Section 457. The plan is administered by the Governmental Employee Benefits Corporation of Georgia (GEBCorp), 1100 Circle 75 Parkway, Suite 300, Atlanta, Georgia 30339. Eligible employees, including elected or appointed officials, may elect to participate in the in the plan. All amounts of compensation deferred, all property rights purchased and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

Plan benefit provisions and contribution requirements can be amended by the Board of Commissioners. Schley County is not required to contribute to the plan and the County made no contribution for 2012.

Note 12 – Other benefit Plans

The County provides certain group health insurance benefits to eligible employees and elected officials who are employed over 90 days and elect the coverage. The County's expense for the year ended June 30, 2012 was $ 37,359.

The County contributes to Georgia Firefighters' Pension Fund which is a duly constituted and organized public entity which is an instrumentality of the State of Georgia and a public agency under Section 47-7 of the Official Code of Georgia Annotated. Firefighters who have 25 years of service become vested. During the year Schley County contributed $3,960 to the Fund.

Note 13 – Employee Benefits – Component Unit

Schley County Health Department

Retirement Plan – The employees of the Health Department participate in the Georgia State Employees Retirement System, a multi-employer, defined-contribution plan. The Plan is administered by the State of Georgia, and accumulated benefits and Plan assets are not determined or allocated to the individual participating governmental entities. The Georgia State Employees Retirement System requires ten years of continuous service to become fully vested. The total retirement contributions to the Georgia State Employees Retirement System for the year ended June 30, 2012, were $9,512 based on qualifying salaries of $80,052. Ten year historical trend information and relevant actuarial information may be obtained from the Employees Retirement System of Georgia.

Note 14 – Risk Management

The County is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined the Georgia Interlocal Risk Management Agency for property and liability insurance and the Association of County Commissioners of Georgia Group Self-Insurance Workers Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the County is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the 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 the 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 costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

There have been no significant reductions of insurance coverage from coverage in the previous year, and settled claims in the past three years have not exceeded the coverage.

Note 15 – Commitments and Contingencies

Litigation:
The County is not involved in any litigation, nor is management aware of any pending litigation against Schley County.

Grant Contingencies:
Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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 management expects such amounts, if any to be immaterial.

Debt Burden:
For the year ended June 30, 2012, net assets of the Water Fund decreased by $516,431. The Sanitation Fund's net assets increased by $48,677. The Primary Government's total liabilities are $7,657,086, an increase of $106,556 from 2011 balances, primarily due to accrued interest on the USDA Revenue Bonds, Series 2008. Operating loans in the Water Fund increased by $350 to $825,476. Management and County officials are aware of these deficiencies and continue to increase water customers, implement cost control policies, and furlough employees.

USDA Bond Default:
The Water System Water Revenue Bonds, Series 2008 are in default. Provisions of the Bond require monthly installment payments of $18,342 to begin October 3, 2009. The first installment was made on October 15, 2009, and no subsequent payments have been made. The County Commissioners are in negotiation with the USDA to add customers, sell water to other cities and counties, and possibly sell portions of the system. USDA has not initiated foreclosure, but has required the County to provide it with monthly financial statements and other evidence of efforts to increase sales. In a letter dated April 16, 2010, the USDA requested monthly reports to be filed outlining the County's efforts on getting households to connect to the system as active users. On May 24, 2012 a meeting was held at the Schley County Board of Commissioners office to discuss the loan. USDA Rural Development has referred the matter to the national office in Washington, D.C.

Courthouse Repair and Renovation
In July 2011, the County conducted an engineering study of the structural integrity of the courthouse. The report identified problem areas in two corners of the building and the clock tower that needed immediate attention. Estimated cost to fix these problems is $300,000.

Note 16 – Joint Ventures

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 as 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.

River Valley Regional Commission: Under Georgia law, the County, in conjunction with other cities and counties in the eight county west central Georgia area, is a member of the Middle Flint Regional Commission and is required to pay annual dues thereto. During the year ended June 30, 2012, the County paid $3,198 in such dues. Membership in Regional Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the Regional Commission's 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 a Regional Commission. Separate financial statements may be obtained from: River Valley Regional Commission, P.O. Box 1908, Columbus, Georgia 31902-4908.

Middle Flint Regional E-911 Authority: Pursuant to the authority granted in OCGA Section 46-5-120 et. Seq., Schley County is a "Participating County", together with Dooly, Macon, Marion, Sumter and Taylor Counties, in the Middle Flint Regional E-911 Authority ("Authority"). The Authority is governed by an eight member board appointed by the participating counties. The Authority maintains custody and control of the equipment and furnishings at the E-911 Center, located in Ellaville, Georgia. Each Participating County holds interest in the title to the equipment in such portion as each county has subscribers as of January 1 of each year. The E-911 Center will receive telephone calls relating to public safety; it will provide emergency call answering services and dispatching. Funding for the E-911 Center is derived from a service charge added to telephone subscribers in the six Participating Counties. Operating costs not covered by the service charge will be paid by the Participating Counties in accordance with their relative number of subscribers. Schley County contributed $12,174 to the Authority during the twelve months ended June 30, 2012.

Financial statements for the Middle Flint Regional E-911 Authority can be obtained from: Middle Flint Regional E-911 Center, 222 Hayes Avenue, Ellaville, Georgia 31806.

Note 17 - Related Organizations

An organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) even though the primary government may appoint a voting majority of the organization's governing board.

Ellaville Schley County Recreation Authority: Schley County and the City of Ellaville jointly contribute to the Ellaville Schley County Recreation Authority funds to support the recreation program. The Authority Board is composed of seven members, four are appointed by the Schley County Board of Commissioners and three are appointed by the City of Ellaville. During the year ended June 30, 2012, Schley County contributions were

$43,688 which includes $40,000 cash and the use of a County building for which the County pays utilities and upkeep for the Recreation Authority.

Financial statements as of and for the year ended December 31, 2011, for the Schley County Recreational Authority can be obtained from: Ellaville Schley County Recreation Authority, P.O. Box 1144, Ellaville, Georgia 31806.

Schley – Sumter – Macon Counties Joint Development Authority: The three counties by separate and concurrent resolutions created the Authority under O.C.G.A. 36-62-5.1 to promote and expand business, industry and trade in Schley, Sumter and Macon Counties and to attract and support new business industry, to provide increased employment for the citizens living within the jurisdiction of the Authority and to expand the ad valorem property tax base for the three counties. The Authority is controlled by a nine member board of directors consisting of three members from each county appointed by each Board of County Commissioners. No dues are required or paid by the participating counties.

Financial statements for the Schley – Sumter – Macon Counties Joint Development Authority may be obtained from their office at 409 Elm Avenue, Americus, Georgia 31709.

Note 18 – Water System Phase II

Unused USDA grant and loan funds in the amount of $53,855 remained unspent at June 30, 2011 and were authorized by the grantors for the purchase of additional equipment. The funds were not used and the balance was de-obligated in May, 2012.

SUPPLEMENTARY INFORMATION

SCHLEY COUNTY, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Law Library	Drug Forfeiture Fund	Jail Construction Fund	Sheriff's Drug Fund	Sheriff's Miscellaneous Account	Jail Inmate Services Fund	Total
ASSETS							
Cash and cash equivalents	$ 35,740	$ 7,995	$ 30,625	$ 17,640	$ 666	$ 591	$ 93,257
Due from General Fund	-	-	2,279	-	-	-	2,279
Total assets	$ 35,740	$ 7,995	$ 32,904	$ 17,640	$ 666	$ 591	$ 95,536
LIABILITIES AND FUND BALANCES							
LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FUND BALANCES							
Restricted	35,740	7,995	32,904	17,640	666	-	94,945
Committed	-	-	-	-	-	591	591
Total fund balances	$ 35,740	$ 7,995	$ 32,904	$ 17,640	$ 666	$ 591	$ 95,536

SCHLEY COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Law Library	Drug Forfeiture Fund	Jail Construction Fund	Sheriff's Drug Fund	Sheriff's Miscellaneous Account	Jail Inmate Services Fund	Total
Revenues							
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fines and forfeitures	4,550	344	8,885	3,570	-		17,349
Interest income	-	18	59	-	-	-	77
Other revenues	-	-	-	1,880	1,010	3,288	6,178
Total revenues	4,550	362	8,944	5,450	1,010	3,288	23,604
Expenditures							
Current							
Judicial	255	-	-	-	-	-	255
Public safety	-	-	-	14,782	344	4,684	19,810
Total expenditures	255	-	-	14,782	344	4,684	20,065
Excess (deficiency) of revenues over (under) expenditures	4,295	362	8,944	(9,332)	666	(1,396)	3,539
Other financing sources (uses)							
Transfers in / (out)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	4,295	362	8,944	(9,332)	666	(1,396)	3,539
Fund balances, beginning of year	31,445	7,633	23,960	26,972	-	1,987	91,997
Fund balances, end of year	$ 35,740	$ 7,995	$ 32,904	$ 17,640	$ 666	$ 591	$ 95,536

SCHLEY COUNTY, GEORGIA
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2012

	Tax Commissioner	Clerk of Court	Sheriff	Probate Court	Magistrate Court	Totals
ASSETS						
Cash	$ 23,079	$ 175,935	$ 300	$ 2,643	$ 4,391	$ 206,348
Taxes Receivable (less doubtful accounts)	159,474	-	-	-	-	159,474
Total Assets	$ 182,553	$ 175,935	$ 300	$ 2,643	$ 4,391	$ 365,822
LIABILITIES						
Due to Others	$ 182,553	$ 175,935	$ 300	$ 2,643	$ 4,391	$ 365,822
Total Liabilities	$ 182,553	$ 175,935	$ 300	$ 2,643	$ 4,391	$ 365,822

SCHLEY COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
For the Year Ended June 30, 2012

	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012
TAX COMMISSIONER				
ASSETS:				
Cash	$ 22,788	$ 3,760,836	$ 3,760,545	$ 23,079
Property & Mobile Home Taxes Receivable:				
State, School,	175,003	1,861,148	1,857,351	178,800
Allowance for Uncollected Taxes	(18,991)	(335)	-	(19,326)
Total Assets	$ 178,800	$ 5,621,649	$ 5,617,896	$ 182,553
LIABILITIES:				
Due to General Fund	$ -	$ 1,215,174	$ 1,215,174	$ -
Due to Others	178,800	1,861,439	1,857,686	182,553
Total Liabilities	$ 178,800	$ 3,076,613	$ 3,072,860	$ 182,553
CLERK OF COURT				
ASSETS:				
Cash - Clerk of Court	$ 8,425	$ 82,814	$ 83,163	$ 8,076
Cash - Clerk of Escrow	167,822	17,191	17,154	167,859
Total Assets	$ 176,247	$ 100,005	$ 100,317	$ 175,935
LIABILITIES:				
Due to General Fund	$ -	$ 38,360	$ 38,360	$ -
Due to Others	176,247	61,645	61,957	175,935
Total Liabilities	$ 176,247	$ 100,005	$ 100,317	$ 175,935
SHERIFF				
ASSETS:				
Cash - Sheriff	$ 300	$ 16,264	$ 16,264	$ 300
Total Assets	$ 300	$ 16,264	$ 16,264	$ 300
LIABILITIES:				
Due to General Fund	$ -	$ 6,925	$ 6,925	$ -
Due to Others or from Others	300	9,339	9,339	300
Total Liabilities	$ 300	$ 16,264	$ 16,264	$ 300

(Continued)

SCHLEY COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
For the Year Ended June 30, 2012

(Continued)

	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012
PROBATE JUDGE				
ASSETS:				
Cash	$ 3,969	$ 146,540	$ 147,866	$ 2,643
Total Assets	$ 3,969	$ 146,540	$ 147,866	$ 2,643
LIABILITIES:				
Due to General Fund	$ -	90,408	$ 90,408	$ -
Due to Others	3,969	56,132	57,458	2,643
Total Liabilities	$ 3,969	$ 146,540	$ 147,866	$ 2,643
MAGISTRATE COURT				
ASSETS:				
Cash Operating	$ 2,659	$ 22,350	$ 21,819	$ 3,190
Cash - Garnishment	1,785	11,317	11,901	1,201
Total Assets	$ 4,444	$ 33,667	$ 33,720	$ 4,391
LIABILITIES:				
Due to General Fund	$ -	$ 10,371	$ 10,371	$ -
Due to Others	4,444	23,296	23,349	4,391
Total Liabilities	$ 4,444	$ 33,667	$ 33,720	$ 4,391
TOTAL				
ASSETS				
Cash	$ 207,748	$ 4,057,312	$ 4,058,712	$ 206,348
Taxes Receivable	175,003	1,861,148	1,857,351	178,800
Allowance for Uncollected Taxes	(18,991)	(335)	-	(19,326)
Total Assets	$363,760	$5,918,125	$5,916,063	$365,822
LIABILITIES				
Due to General Fund	$ -	$ 1,361,238	$ 1,361,238	$ -
Due to Others	363,760	2,011,851	2,009,789	365,822
Total Liabilities	$ 363,760	$ 3,373,089	$ 3,371,027	$ 365,822

SCHLEY COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF
2003 - 2007 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
For the Year Ended June 30, 2012

PROJECT	ORIGINAL ESTIMATED COSTS	PRIOR YEARS	EXPENDITURES CURRENT YEAR	TOTAL	ESTIMATED PERCENTAGE OF COMPLETION
RECREATION					
To Develop Future Fields	$ 30,000.00	$ 38,527.44	$ -	$ 38,527.44	130%
Refrigerators for Gym		196.00	-	196.00	
Tables for Gym		299.00	-	299.00	
Gym/Building Repair	20,000.00	18,026.38	-	18,026.38	90%
FIRE DEPARTMENT					
1/2 cost of Class "A" Pumper Truck	50,000.00	38,962.27	-	38,962.27	98%
(The following were not identified in the Resolution):					
Radios for Fire Department		5,083.80	-	5,083.80	
Turn-out Gear		4,715.00	-	4,715.00	
ROAD DEPARTMENT EQUIPMENT	255,000.00				104%
Small Dump Truck		19,734.00	-	19,734.00	
Motor Grader		99,413.33	-	99,413.33	
Backhoe					
Trencher		40,226.34	-	40,226.34	
(The following were not identified in the Resolution):					
1984 International S1900		4,018.00	-	4,018.00	
Bucket Truck F-700		3,218.00	-	3,218.00	
Steel Wheel Roller		2,500.00	-	2,500.00	
Post Hole Digger		449.35	-	449.35	
Van		19,742.00	-	19,742.00	
Computers		1,415.65	-	1,415.65	
Radios		1,633.80	-	1,633.80	
Cat 307B Hydraulic Excavator		33,175.00	-	33,175.00	
Cat D3C Crawler		20,175.00	-	20,175.00	
Cat 613 Tractor Motor Scraper		20,000.00	-	20,000.00	
Sprayer		579.39	-	579.39	
GENERAL	197,000.00				71%
Courthouse repair		55,281.90	-	55,281.90	
Health & Welfare Building Repair		10,167.71	-	10,167.71	
Other Building Repair		31,466.36	-	31,466.36	
Roll-Up Doors at Public Safety Building		14,100.00	-	14,100.00	
(The following were not identified in the Resolution):					
Metal Detector for Courthouse		7,850.00	-	7,850.00	
Legal Fees		331.89	-	331.89	
Gas heater for Library		153.00	-	153.00	
2003 Chevrolet Caviler		9,145.00	-	9,145.00	
Vehicle for County Administrator		10,650.00	-	10,650.00	
Check Printing Charge		53.92	-	53.92	
Bank service charges		226.60	-	226.60	
Dell Financial (undocumented)		368.00	-	368.00	
AMBULANCE	70,000.00	72,456.00	-	72,456.00	110%
Stretcher		3,585.00	-	3,585.00	
Radios for Ambulance		251.50	-	251.50	
Lights at EMS		$480.00	-	480.00	
Total County projects	622,000.00	588,656.63	-	588,656.63	95%
Tax allocation paid to City of Ellaville	622,000.00	764,629.69	-	764,629.69	123%
	$ 1,244,000.00	$ 1,353,286.32	$ -	$ 1,353,286.32	

NOTES:
1. The County follows the cash basis of accounting in preparing this schedule. The method is inconsistent with the preparation of the County's financial statements.
2. No expenditures of these SPLOST funds in the year ended June 30, 2012.
3. On August 20, 2002, the voters of Schley County approved a special 1% sales tax to become effective January 1, 2003. This Special Purpose Sales Tax is a joint effort with the City of Ellaville, Georgia. The County received 100% of the distributions from the State of Georgia and in turn was to distribute 50% of that to the City. The SPLOST expired on December 31, 2007.
4. Unbudgeted expenditures are deemed appropriate by County management under the provisions of the Resolution.
5. In addition to the expenditures not identified in the resolution, above, $121,895.71 has been loaned to the General Fund, $26,480.00 has been loaned to the Water Fund, $35,000 has been loaned to the Sanitation Fund, and $5,000 has been paid directly to the Recreation Department on behalf of the General Fund for its quarterly operating subsidy. These loans total $188,375.71, were to have been repaid by March 31, 2010.
6. At June 30, 2012, the SPLOST bank account reported a balance of $692.42.
7. $1,352.21 of interest had been earned on the account since inception.

SCHLEY COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF
2008 - 2013 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
For the Year Ended June 30, 2012

PROJECT		ORIGINAL ESTIMATED COSTS	PRIOR YEARS	EXPENDITURES CURRENT YEAR	TOTAL	ESTIMATED PERCENTAGE OF COMPLETION
Renovation of Public Facilities Including the Courthouse		$ 500,000.00	$ -		$ 323,762.50	
Engineering study for old courthouse				$ 2,992.50		
New Courthouse annex building				316,270.00		
Furniture & equipment				4,500.00		
Renovations and Improvements to the Existing Recreational Facilities		250,000.00	239,332.00	-	248,813.92	100%
Mower and Trimmer for Fields	*		7,599.95	-		
Stump Removal	*		359.37	-		
Transfer to Recreation Authority	*		1,522.60	-		
Purchase Class A Pumper Fire Truck		180,000.00	-	-	-	0%
Purchase New Ambulance		90,000.00	-	-	-	0%
Renovation and New Addition to County Maintenance Shop		50,000.00	-	-	-	0%
Repairs to the Gymnasium		40,000.00	425.00	-	425.00	1%
Purchase three (3) Sheriff's Vehicles		90,000.00	52,899.10	-	69,139.10	77%
Camera System for Sheriff's Office	*		16,240.00	-		
Purchase of Equipment for the Road Department including Dump truck, Two (2) Tractors, Two (2) Mowers		165,000.00	19,232.81	2,950.00	22,182.81	13%
Renovations of Public Facilities Including Fire Stations		60,000.00	-	-	-	0%
Additional Covered Storage		30,000.00	-	-	-	0%
Purchase of Rescue Truck, Purchase of Extraction Tools, Additional Share of Purchasing Fire Truck		70,000.00	-	28,004.00	35,133.56	50%
Fire Fighting Supplies & shipping	*			7,129.56		
Bank Charges		-	1,686.03	-	1,686.03	
Total County projects		1,525,000.00	339,296.86	361,846.06	701,142.92	46%
Tax allocation paid to City of Ellaville		775,000.00	197,092.21	235,698.90	432,791.11	56%
		$ 2,300,000.00	$ 536,389.07	$ 597,544.96	$ 1,133,934.03	49%

NOTES:

1. The County follows the cash basis of accounting in preparing this schedule. The method is inconsistent with the preparation of the County's financial statements. There are no differences between the current year expenditures reported on this schedule and the expenditures reported on the Statement of Revenues, Expenditures and Changes in Fund Balances on Page 6.
2. On March 20, 2007, the voters of Schley County approved a special 1% sales tax to become effective January 1, 2008. This Special Purpose Sales Tax is a joint effort with the City of Ellaville, Georgia. The County receives 100% of the distributions from the State of Georgia and in turn distributes funds to the City as required.
3. Unbudgeted expenditures are designated by *. County management considers these expenditures to be appropriate under the provisions of the Resolution.
4. The County and the City of Ellaville have never formally adopted the Intergovernmental Agreement, Thus the SPLOST will expire on December 31, 2012.
5. At June 30, 2012, the SPLOST bank account reported a balance of $357,393, and $1,558.33 of interest had been earned on the account since its inception.

COMPLIANCE SECTION

CHAMBLISS, SHEPPARD, ROLAND & BAXTER, LLP

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

Board of Commissioners of
Schley County, Georgia
Ellaville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Schley County, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the Schley County, Georgia's basic financial statements and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses. (12-2 and 12-3).

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. (12-1 and 12-04 through 12-07)

CERTIFIED PUBLIC ACCOUNTANTS
Ross M. Chambliss, Jr. William H. Sheppard
Donald R. Roland Cary S. Baxter
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GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schley County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 12-04 through 12-08.

We noted certain matters that we reported to management of Schley County, Georgia, in a separate letter dated January 8, 2013.

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

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

Chambless Sheppard Roland & Baxter LLP

Americus, Georgia
January 8, 2013

SCHLEY COUNTY, GEORGIA
Schedule of Findings and Responses
For the Year Ended June 30, 2012

Section I
SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issue	*Unqualified*	
Internal control over financial reporting: Material weakness(es) identified?	X yes	___ No
Significant deficiencies identified not considered to be material weaknesses?	X yes	___ none reported
Noncompliance material to financial statements noted?	X yes	___ No

Federal Awards
There was not an audit of major federal award programs as of June 30, 2012 due to the total amount expended being less than $500,000.

Section II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

12-01 Segregation of Duties

Criteria: Internal control should be in place to assure that funds and assets cannot be misappropriated and go undetected during the normal course of business.

Condition: There is not sufficient segregation of duties in the offices of the elected officials and the Board of Commissioners office, including the enterprise funds, related to accounting functions.

Context: We noted the above conditions during performance of audit procedures including: internal control walkthroughs, inquiry and observation, and the completion of audit workpapers.

Effect: Because of lack of segregation of duties between operating, recording and custodial functions, including reconciliation of accounts, County assets and resources are susceptible to waste, fraud and inefficiency.

Cause: The lack of segregation of duties is due to the limited number of individuals in each office to perform all of the duties.

Recommendation: The County should provide additional knowledgeable accounting staff to the elected officials and the Board of Commissioners office to allow for accounting and supervisory duties to be separated.

Management's Comments: We will evaluate our procedures and those of the elected officials in view of the cost effectiveness of adding additional personnel. County Commissioners regularly visit the office of the County Clerk and observe County operations. General and Proprietary Fund check signing is limited to the Commission Chairman.

12-02 Accounting Procedures and Financial Reporting

Criteria: Sound fiduciary responsibility and state law require that comprehensive accurate financial reports be prepared and presented at regular public meetings of the County Commissioners.

Condition: Financial statements are prepared following the cash basis of accounting. Significant amounts of unpaid liabilities and debt exist but are not reported.

Context: Financial statements provided to us for audit did not include all accounts, assets, liabilities, and fund balances under the County's responsibility and control.

Effect: Inaccurate presentation of the financial condition of the County could lead to poor decisions and jeopardize future progress.

Cause: Financial reporting system was designed to report cash receipts and disbursements.

Recommendation: Financial statements should be improved to include accrual for unpaid liabilities, outstanding receivables (both internal and external), inventories and other assets and liabilities.

Management's Response: We concur with the finding. We are satisfied with our present financial reporting system, however, we will implement subsidiary reporting of outstanding unpaid bills and loan and debt balances.

12-03 Tax Commissioner's Cash Receipts Procedures

Criteria: The accounting system in the office of the Tax Commissioner should be designed to provide that receipts are recorded accurately and promptly, and accurately disbursed and recorded in accordance with applicable allocation criteria.

Condition: At the office of the Tax Commissioner, $23,079.57 remained in the operating account at June 30, 2012, after payment of June receipts. Additionally, the Tax Commissioner had not prepared bank reconciliations.

Context: The Tax Commissioner's cash receipts recorded in the cash book were not reconciled to deposits in the bank statement.

Effect: Funds held on behalf of the County and other entities have been inaccurately disbursed or not promptly disbursed in accordance with the duties of the Officer.

Cause: Procedures are not followed to accurately track property tax receipts to posting to taxpayer's accounts and to bank deposits. Excess cash has accumulated over several years.

Recommendation: Procedures should be developed and followed whereby daily deposits are reconciled to supporting documentation and promptly recorded in the cash book. All bank accounts should be reconciled monthly.

Management's Response: I have developed a procedure where I record daily deposits on a work-sheet and compare that to daily reports from my computerized accounting system. Each month total deposits are reconciled to the bank statement and to entries in the cash book. Monthly disbursements are reconciled to the cash book. I will meet with the elected officials and work to have the unaccounted for excess cash paid out to the County General Fund or other proper party within the next year.

12-04 Accounting Procedures and Reporting for SPLOST 2003 – 2007 Fund

Criteria: Special Purpose Local Option Sales Tax is to be used for purposes approved in the referendum.

Condition: Inappropriate disbursements were made from 2004 through 2006. These disbursements caused SPLOST funds to be commingled with other funds.

Effect: As of June 30, 2012, $126,895.71 had been disbursed to the County General Fund for operations or payroll; $35,000 had been disbursed to the Sanitation Fund for operations; and $26,480 had been

disbursed to the Water Fund for operations. The disbursements were not authorized.

Cause: Cash needs for County general and enterprise fund operations were supplemented by temporary transfers from SPLOST.

Recommendation: Unallowable disbursements to the General, Sanitation and Water Funds should be repaid to the SPLOST 2003 – 2007 Fund as soon as possible. The funds should be used for the purposes that the voters approved in the referendum. Any excess should be used in accordance with State law (OCGA 48-8-121(g)(1)(B)).

Management's Response: We concur, that certain disbursements were made that were not related to the SPLOST. We will continue to work to resolve to this matter.

12-05 Budgets for Special Revenue Funds

Criteria: State law requires each unit of local government to adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local government.

Condition: Annual balanced budgets were not adopted for the Law Library Fund, Drug Forfeiture Fund, Jail Construction Fund, Sheriff's Drug Fund, or the Jail Inmate Services Fund.

Effect: Non-compliance with state statute. Budgets and budgetary accounting and reporting of special funds aid management in their responsibilities for accurate communication of their use to the citizens.

Recommendation: The County should adopt an annual balanced budget for all special revenue funds.

Management's Response: We concur with the finding. We will adopt annual budgets in future years as required.

12-06 Incomplete or Inadequate Intergovernmental Agreement SPLOST 2008 – 2013

Criteria: The Official Code of Georgia Section 48-8-115(b)(2)(A)(1) provides that where an intergovernmental agreement has not been entered into and the tax resolution calls for one or more level one county-wide projects (namely, the courthouse renovation for an estimated cost of $500,000), then the tax shall be levied for a five-year period.

Condition: Distributions of SPLOST 2008 - 2013 to the City of Ellaville are not based on a signed Intergovernmental Agreement.

Effect: SPLOST could be collected beyond the legally allowed period because the referendum stated the tax would be imposed for a period of time not to exceed six years.

Cause: Elected officials have not negotiated a final signed intergovernmental agreement.

Recommendation: Elected officials of the County and the City of Ellaville should finalize the intergovernmental agreement to include final estimates of costs of the projects to be completed with the tax.

Management Response: We have been unsuccessful in resolving this matter, the SPLOST expires on December 31, 2012.

12-07 Accounts required by the Schley County Water Revenue Bonds, Series 2003, and Series 2008

Criteria: The Bond Resolution of the Schley County Water Revenue Bonds, Series 2003 and Series 2008, requires establishment and use of two accounts within the Sinking Fund known as Debt Service Account and the Reserve Account.

Condition: The Debt Service Account and the Reserve Account have not been properly funded and used in accordance with the Resolution.

Effect: The Debt Service Account (known as the Bond Payment Account) was not funded on a regular monthly basis as required by Section 502 of the Resolution. Debt service payments have been paid by check directly from the Water Fund Operating Account. The Reserve Account has never been funded and the bank closed the account due to inactivity.

Recommendation: We recommend that the funds required by the Bond Resolution be maintained in accordance with the requirements, and that debt service be regarded with high priority.

Management's Response: We concur with the finding. Revenues have not been sufficient to fund all the required accounts. We do not expect revenues to be sufficient in the near future, but we will strive to adhere to the requirements of the Bond Resolution.

12-08 Default on Schley County Water Revenue Bonds, Series 2008

Criteria: The bond indenture requires regular monthly debt service payments.

Condition: The County Water System has failed to make debt service payments in accordance with the bond indenture.

Effect: The USDA has declared the bonds in default and has required the County to take steps to remedy the situation, by requiring the County to make regular reports to USDA regarding the plans and procedures to generate revenue. Additionally, USDA has required the County to provide regular financial reports.

Recommendation: We recommend that the County continue to aggressively seek new water customers, either individual households and businesses or sales to neighboring counties and cities.

Management's Response: We concur with the finding. Revenues have not been sufficient to make debt service payments on schedule. We do not expect revenues to be sufficient in the near future, however, we will continue to work with the USDA, and we will work to find new customers.

Section III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)

LINE		
A	Local Government	SCHLEY COUNTY GEORGIA
B	State Awarding Agency	Department of Community Affairs
C	Grant Identification Number	07-C-L-102
D	Grant Title	Fire Fighting Equipment
E	Grant Award Date	08/10/06
F	Grant Amount	$1,000.00

		COLUMN 1 **Current Year Activity** For the Year Ended:	COLUMN 2 **Cumulative Grant Activity** Through the Year Ended:
G		6/30/2012	6/30/2012
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	$0.00	
I	Grant Receipts or Revenue Recognized	$0.00	$750.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES	$0.00	$750.00
K	Disbursements or Expenditures for Audit Fees	$0.00	$0.00
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K]	$0.00	$0.00

EDIT CHECKS IF FORM COMPLETED ON EXCEL SPREADSHEET:

Column 1, Line L equals Column 2, Line L.
Grant Receipts/Revenue Does Not Exceed Grant Award.
Date Is Provided in Line G, Column 1.
Date Is Provided in Line G, Column 2.
Year End Dates On Line G Agree.
Column 1, Line L Foots Correctly.
Column 2, Line L Foots Correctly.
NO AUDIT FEES CHARGEABLE TO GRANTS OF $5,000 OR LESS

Line A Is Completed.
Line B Is Completed.
Line C Is Completed.
Line D Is Completed.
Line E Is Completed.
Line F Is Completed.

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made.

Signature of Chief Elected Official _____ Date 1/8/13

Signature of Chief Financial Officer _____ Date 1-8-2013