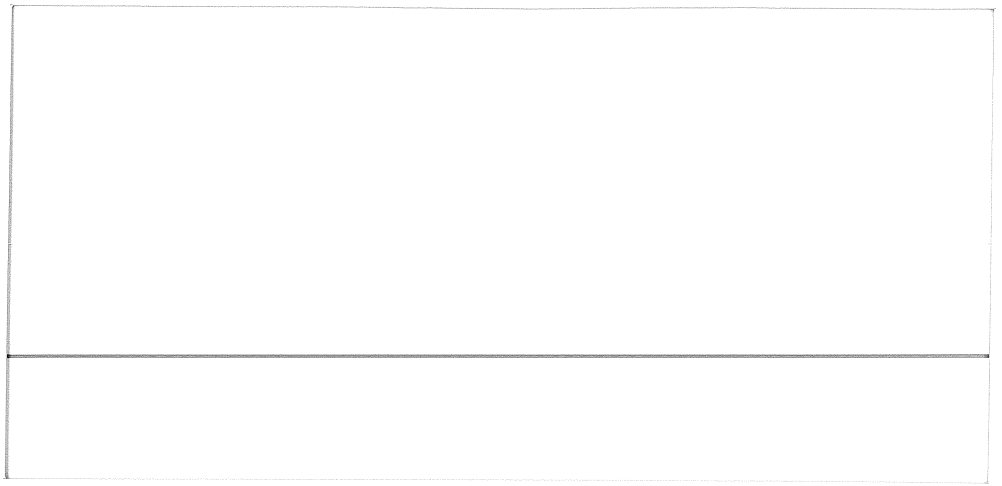


Abbott, Jordan & Koon
CERTIFIED PUBLIC ACCOUNTANTS

TALBOT COUNTY, GEORGIA

FINANCIAL STATEMENTS

Year Ended June 30, 2011

TALBOT COUNTY, GEORGIA
FINANCIAL STATEMENTS
Year Ended June 30, 2011

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AJ&K

Abbott, Jordan & Koon, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Talbot County
Talbotton, Georgia 31827

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Talbot County, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Talbot County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Talbot County Department of Public Health, which represents approximately 8% and 90%, respectively, of the assets and revenues of the component units. These financial statements as of June 30, 2011, were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Talbot County Department of Public Health is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Talbot County, Georgia, as of June 30, 2011, and the respective changes in financial position, cash flows, where applicable, the respective budgetary comparison for the General Fund, thereof 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 a report dated December 11, 2011 on our consideration of Talbot County, Georgia'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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Talbot County's financial statements as a whole. The combining, individual fund schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining, individual fund schedules, and other supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Manchester, Georgia
December 11, 2011

TALBOT COUNTY, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Development Authority	Department of Public Health
Assets					
Cash	$ 5,157,855	$ 258,268	$ 5,416,123	$ 378,147	$ 49,878
Receivables (net of allowance for doubtful accounts, where applicable):					
Taxes	280,942		280,942		
Accounts	52,150	102,020	154,170		
Other	260,177		260,177		
Internal balances	27,919	(27,919)	-		
Inventory		5,242	5,242		
Prepaid items	63,782		63,782		
Restricted cash		170,138	170,138		
Capital assets not being depreciated	224,978	81,030	306,008	117,336	
Capital assets being depreciated, net of accumulated depreciation	4,920,755	3,398,057	8,318,812	62,241	
Total assets	10,988,558	3,986,836	14,975,394	557,724	49,878
Liabilities					
Accounts payable	163,432	55,735	219,167		
Accrued liabilities	6,556	10,224	16,780	6,436	
Customer deposits		88,545	88,545		
Deferred income	71,866		71,866		
Long-term liabilities:					
Due within one year	128,444	51,333	179,777		4,304
Due in more than one year	1,993,775	1,919,232	3,913,007		4,133
Total liabilities	2,364,073	2,125,069	4,489,142	6,436	8,437
Net Assets					
Invested in capital assets, net of related debt	3,778,896	1,508,522	5,287,418	179,577	
Restricted:					
Capital projects	1,795,894		1,795,894		
Public safety	82,625		82,625		
Public works	1,845		1,845		
Prior year program income					24,039
Unrestricted	2,965,225	353,245	3,318,470	371,711	17,402
Total net assets	$ 8,624,485	$ 1,861,767	$ 10,486,252	$ 551,288	$ 41,441

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

TALBOT COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fees Fines and Forfeitures	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: Development Authority	Component Units: Department of Public Health
Primary government:									
Governmental activities:									
General government	$ 1,402,292	$ 37,494	$ 55,339		$ (1,309,459)		$ (1,309,459)		
Judicial system	421,384		24,423		(396,961)		(396,961)		
Public safety	1,485,563	436,567	41,050		(1,007,946)		(1,007,946)		
Public works	1,876,529	169,787	473,484	$ 719	(1,232,539)		(1,232,539)		
Health and welfare	667,424	189,314	201,770		(276,340)		(276,340)		
Culture and recreation	184,763	852			(183,911)		(183,911)		
Planning and community development	127,162				(127,162)		(127,162)		
Interest on long-term debt	61,210				(61,210)		(61,210)		
Total governmental activities	6,226,327	834,014	796,066	719	(4,595,528)		(4,595,528)		
Business-type activities:									
Water system	778,951	673,859				$ (105,092)	(105,092)		
Total business-type activities	778,951	673,859	-	-	-	(105,092)	(105,092)		
Total primary government	$ 7,005,278	$ 1,507,873	$ 796,066	$ 719	(4,595,528)	(105,092)	(4,700,620)		
Component units:									
Development Authority	$ 32,040	$ 20,000						$ (12,040)	
Department of Public Health	176,684	58,690	$ 131,055						$ 13,061
Total component units	$ 208,724	$ 78,690	$ 131,055	$ -				(12,040)	13,061
General revenues:									
Taxes:									
Property					3,505,539		3,505,539		
Sales					1,011,612		1,011,612		
Insurance premiums					222,167		222,167		
Motor vehicle and mobile home					231,318		231,318		
Alcoholic beverage					39,353		39,353		
Other					100,620		100,620		
Miscellaneous revenue					118,871		118,871	400	
Interest revenue					20,916	422	21,338	3,580	
Transfers					(5,874)	5,874	-		
Total general revenues					5,244,522	6,296	5,250,818	3,980	-
Change in net assets					648,994	(98,796)	550,198	(8,060)	13,061
Net assets at beginning of year					7,975,491	1,960,563	9,936,054	559,348	28,380
Net assets at end of year					$ 8,624,485	$ 1,861,767	$ 10,486,252	$ 551,288	$ 41,441

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

TALBOT COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	Major Governmental Fund Types		Nonmajor Governmental Fund Types	
Assets	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Cash	$ 3,447,938	$ 1,520,101	$ 189,816	$ 5,157,855
Receivables (net where applicable of allowances for uncollectibles):				
Taxes	280,942			280,942
Accounts	52,150			52,150
Other	96,577	150,840	12,760	260,177
Due from other funds	33,482	18,100	13,191	64,773
Prepaid expenditures	63,782			63,782
Total assets	$ 3,974,871	$ 1,689,041	$ 215,767	$ 5,879,679
Liabilities				
Accounts payable - Trade	$ 150,672		$ 12,760	$ 163,432
Accrued liabilities	6,556			6,556
Due to other funds	30,287	$ 3,678	2,889	36,854
Deferred income	153,168		68,866	222,034
Total liabilities	340,683	3,678	84,515	428,876
Fund balances				
Fund balances:				
Nonspendable - prepaid items	63,782			63,782
Restricted for:				
Capital projects		1,685,363	110,531	1,795,894
Public safety	63,749		18,876	82,625
Public works			1,845	1,845
Unassigned	3,506,657			3,506,657
Total fund balances	3,634,188	1,685,363	131,252	5,450,803
Total liabilities and fund balances	$ 3,974,871	$ 1,689,041	$ 215,767	$ 5,879,679

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

TALBOT COUNTY, GEORGIA
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS
June 30, 2011

Fund balances - Total governmental funds		$ 5,450,803
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds:		
Add, capital assets		8,498,803
Deduct, accumulated depreciation		(3,353,070)
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at June 30, 2011 are:		
Capital leases	$ (288,426)	
Compensated absences	(35,112)	
Landfill post-closure costs	(720,270)	
Note payable	(1,078,411)	
Total long-term liabilities		(2,122,219)
In governmental funds, revenues must meet the availability test before they can be recognized. That is, they must be collected within 60 days after year end to be used to pay the period's current liabilities. However, no similar requirement applies in the government-wide statements. Therefore deferred revenue balances reported on the balance sheet of governmental funds must be reversed and recognized as current period revenue. In addition, the governmental fund revenue will also be adjusted at the government-wide level for the change during the year in the balance of deferred revenues:		
Deferred property taxes arising from ability to collect after 60 days from year end		150,168
Net assets of governmental activities		$ 8,624,485

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

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Major Governmental Fund Types		Nonmajor Governmental Fund Types	
	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	$ 3,539,193			$ 3,539,193
Sales	394,146	$ 617,466		1,011,612
Insurance premium	222,167			222,167
Motor vehicle and mobile home	231,318			231,318
Alcoholic beverage	39,353			39,353
Other	100,620			100,620
Licenses and permits	37,494			37,494
Charges for services	577,638			577,638
Fines, forfeitures and court fees	199,289		$ 19,593	218,882
Grants and subsidies	289,714		504,459	794,173
Interest revenue	20,684	719	232	21,635
Donations	1,893			1,893
Other revenue	116,121	2,750		118,871
Total revenues	5,769,630	620,935	524,284	6,914,849
Expenditures:				
Current:				
General government	1,385,310			1,385,310
Judicial system	413,697		4,194	417,891
Public safety	1,227,478		31,957	1,259,435
Public works	1,234,878		471,639	1,706,517
Health and welfare	598,681			598,681
Culture and recreation	154,609			154,609
Planning and community development	126,000			126,000
Intergovernmental support		101,175		101,175
Debt service:				
Principal payments	67,648	19,323		86,971
Interest payments	15,588	45,622		61,210
Capital outlay:				
Judicial system	21,385		7,508	28,893
General government	84,695	35,085		119,780
Public safety	91,583	86,641	6,950	185,174
Public works	54,325	61,825		116,150
Culture and recreation	7,305	16,692		23,997
Total expenditures	5,483,182	366,363	522,248	6,371,793
Excess (deficiency) of revenues over (under) expenditures	286,448	254,572	2,036	543,056
Other financing sources (uses):				
Debt proceeds	84,455			84,455
Capital lease proceeds	54,325			54,325
Transfers in			239	239
Transfers out	(6,113)			(6,113)
Total other financing sources (uses)	132,667	-	239	132,906
Net change in fund balances	419,115	254,572	2,275	675,962
Fund balances at beginning of year	3,215,073	1,430,791	128,977	4,774,841
Fund balances at end of year	$ 3,634,188	$ 1,685,363	$ 131,252	$ 5,450,803

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

TALBOT COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net changes in fund balances - Total governmental funds	$ 675,962
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($473,994) exceeded depreciation ($383,708) in the current period.	90,286
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets	(56,389)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(32,092)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment consists of the change of one balance:	
Compensated absences	4,881
In governmental funds, revenues must meet the availability test before they can be recognized. That is, they must be collected within 60 days after year end to be used to pay the period's current liabilities. However, no similar requirement applies to the government-wide Statement of Activities. Therefore, deferred revenue amounts are reversed on the Statement of Net Assets and recognized as current period revenue on the Statement of Activities:	
Net decrease in deferred revenue from June 30, 2010 ($183,822) to June 30, 2011 ($150,168)	(33,654)
Change in net assets of governmental activities	$ 648,994

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

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property	$ 3,619,424	$ 3,619,424	$ 3,539,193	$ (80,231)
Sales	304,548	304,548	394,146	89,598
Insurance premium	228,433	228,433	222,167	(6,266)
Motor vehicle and mobile home	223,853	223,853	231,318	7,465
Alcoholic beverage	35,600	35,600	39,353	3,753
Other	26,864	26,864	100,620	73,756
Licenses and permits	33,066	33,066	37,494	4,428
Charges for services	553,241	553,241	577,638	24,397
Donations	300,000	300,000	1,893	(298,107)
Fines, forfeitures and court fees	202,000	202,000	199,289	(2,711)
Grants and subsidies	194,772	194,772	289,714	94,942
Interest revenue	10,000	10,000	20,684	10,684
Other revenue	198,153	198,153	116,121	(82,032)
Total revenues	5,929,954	5,929,954	5,769,630	(160,324)
Expenditures:				
Current:				
General government:				
General administration	1,229,609	1,163,929	395,982	767,947
County commissioners	223,867	224,987	276,868	(51,881)
Tax commissioners	214,476	214,476	256,306	(41,830)
Tax assessors	155,676	155,676	163,299	(7,623)
Elections	143,314	163,260	184,681	(21,421)
Public buildings	111,025	113,025	108,174	4,851
Total general government	2,077,967	2,035,353	1,385,310	650,043
Judicial system:				
Probate court	121,113	122,938	152,319	(29,381)
Clerk of superior court	126,532	126,532	152,099	(25,567)
Magistrate	20,422	20,422	23,316	(2,894)
Other court services	140,312	140,312	85,963	54,349
Total judicial system	408,379	410,204	413,697	(3,493)
Public safety:				
Ambulance service	391,491	411,776	394,960	16,816
Coroner	17,370	18,570	19,569	(999)
Fire	74,225	75,025	54,287	20,738
Animal control	30,238	30,238	35,683	(5,445)
Sheriff and jail	668,196	668,196	707,109	(38,913)
EMA services	55,752	74,256	15,870	58,386
Total public safety	1,237,272	1,278,061	1,227,478	50,583

Continued.....

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

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2011
(Continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amount	
Public works:				
Landfill	430,700	430,700	390,651	40,049
Public works	816,302	816,302	844,227	(27,925)
Total public works	1,247,002	1,247,002	1,234,878	12,124
Health and welfare:				
Transit	295,967	295,967	306,770	(10,803)
Nutrition	184,501	184,501	206,669	(22,168)
Health appropriations	85,909	85,909	85,242	667
Total health and welfare	566,377	566,377	598,681	(32,304)
Culture and recreation:				
Parks	112,758	112,758	124,461	(11,703)
Library	30,150	30,150	30,148	2
Total culture and recreation	142,908	142,908	154,609	(11,701)
Planning and community development:				
County agent	54,177	54,177	51,627	2,550
Building and zoning	45,675	45,675	53,252	(7,577)
Planning and community development appropriations	21,121	21,121	21,121	-
Total planning and community development	120,973	120,973	126,000	(5,027)
Debt service:				
Principal	42,263	42,263	67,648	(25,385)
Interest	9,913	9,913	15,588	(5,675)
Total debt service	52,176	52,176	83,236	(31,060)
Capital outlay:				
Judicial	14,000	14,000	21,385	(7,385)
General government	11,000	11,000	84,695	(73,695)
Culture and recreation	5,000	5,000	7,305	(2,305)
Public safety	16,500	16,500	91,583	(75,083)
Public works	30,000	30,000	54,325	(24,325)
Health and welfare	400	400	-	400
Total capital outlay	76,900	76,900	259,293	(182,393)
Total expenditures	5,929,954	5,929,954	5,483,182	446,772
Excess (deficiency) of revenues over (under) expenditures	-	-	286,448	286,448
Other financing sources (uses):				
Debt proceeds			84,455	84,455
Capital lease proceeds			54,325	54,325
Transfers out			(6,113)	(6,113)
Total other financing sources (uses)	-	-	132,667	132,667
Net change in fund balances	-	-	419,115	419,115
Fund balances at beginning of year	3,215,073	3,215,073	3,215,073	-
Fund balances at end of year	$ 3,215,073	$ 3,215,073	$ 3,634,188	$ 419,115

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

TALBOT COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-Type Activities Major Fund Type Water System
Assets	
Current assets:	
Cash	$ 258,268
Accounts receivable (net of allowance for uncollectible)	102,020
Inventory	5,242
Restricted cash	170,138
Total current assets	535,668
Noncurrent assets:	
Capital assets not being depreciated	81,030
Capital assets being depreciated, net of accumulated depreciation	3,398,057
Total noncurrent assets	3,479,087
Total assets	4,014,755
Liabilities	
Current liabilities:	
Accounts payable	55,735
Customer deposits	88,545
Accrued interest	10,224
Due to other funds	27,919
Revenue bonds, current portion	46,102
Capital leases payable, current portion	5,231
Total current liabilities	233,756
Noncurrent liabilities:	
Revenue bonds payable	1,864,259
Capital leases payable	54,973
Total noncurrent liabilities	1,919,232
Total liabilities	2,152,988
Net Assets	
Invested in capital assets, net of related debt	1,508,522
Unrestricted	353,245
Total net assets	$ 1,861,767

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

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-Type Activities Major Fund Types Water System
Operating revenues:	
Charges for services	$ 639,484
Penalties	29,050
Miscellaneous	5,325
Total operating revenue	673,859
Operating expenses:	
Salaries and benefits	160,765
Water purchases	239,053
Services and supplies	83,814
Depreciation and amortization	160,002
Other operating	41,405
Total operating expenses	685,039
Operating income (loss)	(11,180)
Nonoperating revenues (expenses):	
Interest income	422
Interest expense	(93,912)
Total nonoperating revenues (expenses)	(93,490)
Income (loss) before transfers	(104,670)
Transfers in	5,874
Change in net assets	(98,796)
Net assets, at beginning of year	1,960,563
Net assets, at end of year	$ 1,861,767

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

TALBOT COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-Type Activities Major Fund Types Water System
Cash flows from operating activities:	
Receipts from customers	$ 664,587
Receipt of customer deposits	6,637
Payments to employees	(160,765)
Payments to vendors	(350,294)
Net cash provided by operating activities	160,165
Cash flows from noncapital financing activities:	
Transfers in	5,874
Net cash provided by noncapital financing activities	5,874
Cash flows from capital and related financing activities:	
Purchase of capital assets	(55,980)
Principal paid on capital debt	(50,638)
Interest paid on capital debt	(94,344)
Capital lease down payment	(5,343)
Net cash used by capital and related financing activities	(206,305)
Cash flows from investing activities:	
Interest income	422
Net cash provided by investing activities	422
Net increase (decrease) in cash	(39,844)
Cash at beginning of year	468,250
Cash at end of year	$ 428,406
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	$ (11,180)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	160,002
(Increase) decrease in:	
Accounts receivable	(9,274)
Inventories	1,936
Increase (decrease) in:	
Customer deposits	6,637
Accounts payable	21,952
Due to other funds	(9,908)
Net cash provided by operating activities	$ 160,165

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

TALBOT COUNTY, GEORGIA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2011

	Agency Funds
Assets	
Cash	$ 180,072
Taxes receivable	16,121
Total assets	$ 196,193
Liabilities	
Due to others	$ 196,193
Total liabilities	$ 196,193

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Talbot County, Georgia (the County) complies with *Generally Accepted Accounting Principles* (GAAP). The County's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements. Proprietary funds apply *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principles Board* (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The following is a summary of the County's more significant accounting policies used in the preparation of the accompanying financial statements.

A. The Reporting Entity

The accompanying financial statements present the County's primary government and discretely presented component units over which the County exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the County (as distinct from legal relationships).

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the Talbot County Department of Public Health and the Development Authority of Talbot County, the County's only component units. Copies of the component units' financial statements may be obtained from the County Commissioners office.

Information regarding the component units reported in the County's financial statements is listed below:

Discretely Presented Component Unit	Brief Description of Activities and Relationship to the County
Talbot County Department of Public Health	Provides medical services and health education to the citizens of Talbot County. The County Board of Commissioners has the authority to modify and approve the Department of Public Health budget.
Development Authority of Talbot County	Identifies, attracts and locates new business, industry and tourism in Talbot County for the purposes of increasing trade, commerce, industry, tourism and employment opportunities. The County Board of Commissioners appoints a majority of the Board of Directors.

Since the County follows GASB-14, both the Development Authority of Talbot County and the Talbot County Department of Public Health are presented as discretely presented component units. Both component units are presented as governmental fund types.

Related Organizations - Based upon GASB criteria, the following related organizations are excluded from the financial reporting entity because the County's accountability does not extend beyond making appointments or providing limited financial support:

Talbot County Board of Education
Talbot County Department of Family and Children Services
Talbot County Forestry Commission
Talbot County Housing Authority

Disbursements for these units based on contractual agreements have been budgeted and expended as part of regular operations of the County.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column on the governmental and proprietary fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary fund, and fiduciary fund 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues, including property taxes, 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, grants from other governments, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

General Fund - The General Fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

SPLOST Fund - The SPLOST Fund is a capital projects fund established to account for major capital expenditures financed by special local option sales tax receipts.

The County also reports the following major proprietary fund:

Water System Fund - The Water System Fund accounts for the water activities of the government.

Additionally, the County reports the following nonmajor governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - Capital Projects Funds are established to account for major capital expenditures not financed by Proprietary Funds or Trust Funds.

The County also reports the following fiduciary fund type:

Agency Funds - Agency Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Current Agency Funds held by the County are as follows:

Tax Commissioner
Sheriff
Magistrate Court
Probate Court
Superior Court Clerk

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule can be payments in lieu of taxes and other charges between the government's water system and other functions of the County. During the 2011 fiscal year, however, no such incidents had occurred.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *General revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County's net assets are reported in three parts - 1) invested in capital assets, net of related debt; 2) restricted net assets; and 3) unrestricted net assets. 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.

D. Budgets and Budgetary Accounting

The County prepares and adopts its budget and complies with the auditing requirements for local governments so as to provide local taxpayers with an opportunity to gain information concerning the purpose for which local revenues are proposed to be spent and are actually spent and to assist local governments in generally improving local financial management practices while maintaining, preserving, and encouraging the principle of home rule over local matters. The procedures are as follows:

a. The County Clerk submits to the Board of Commissioners a proposed operating budget for the following fiscal year. The operating budget includes proposed expenditures and the means of financing them.
b. Public hearings are conducted to obtain taxpayer comments.
c. The budget is legally enacted through passage of an ordinance.
d. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
e. The Capital Projects Fund is budgeted on a project basis, which may be one or more years in length.
f. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Each fund's appropriated budget is prepared on a department level. Revenues are budgeted by source. Expenditures are budgeted by departments, which constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the County Commission. Within these control levels, management may transfer appropriations without Commission approval. Budget appropriations lapse at year end.

The budget amounts shown in these financial statements include any amendments approved by the County. There were no significant amendments during the fiscal year.

E. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County, and non-negotiable certificates of deposits regardless of original maturity.

Statutes authorize the County to invest in obligations of the United States and of its agencies and instrumentalities; bonds or certificates of indebtedness of the state of Georgia and of its agencies and instrumentalities; certificates of deposit of banks insured by the FDIC to the extent that such investments are legal investments; repurchase agreements; and the Local Government Investment Pool, administered by the State of Georgia.

Investments for the County, as well as for its component units are reported at fair value. Neither the County, nor its component units, have any investments at year end.

F. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/payables" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances between governmental activities and the business-type activities are reported on the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowances for uncollectibles on receivable balances represent estimates based on historical collection rates and account balance aging reports.

The County's property tax is levied on approximately October 15 on the assessed values for all real and personal property, including mobile homes and motor vehicles located in the County. The billings are considered due December 20. At December 21, the bill becomes delinquent, the applicable property is subject to lien, and penalties and interest may be assessed by the County.

All property taxes levied for the current and any previous years, but not received as of June 30, 2011, are shown as property taxes receivable at that date. Any of the taxes, which are determined to be unavailable to pay liabilities of the current period, have been deferred. The Tax Commissioner bills and collects those property taxes levied by the County, the Talbot County Board of Education, the municipalities located within the County and the State of Georgia. Collections and remittances to the County and other governmental agencies are accounted for in an agency fund.

G. Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method and consists of expendable supplies. The County uses the consumption method to record inventory, which means that inventory acquisitions are recorded in inventory accounts when purchased and charged as expenditures or expenses when used. At year end, only the County's business-type activities had inventory balances on the financials.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

I. Restricted Cash

Water System Fund restricted cash is restricted for customer deposits and the Water Fund debt service.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The County is classified as a phase 3 government due to its revenue and classification by GASB 34. The County has opted not to retroactively report infrastructure, but reports all infrastructure additions and related improvements after July 1, 2003.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20-40
Improvements	10-30
Public domain infrastructure	40
System infrastructure	40
Vehicles	5
Equipment	5 -15

K. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability to unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separated from service with the County. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Equity

Beginning with fiscal year ending June 30, 2011, the County implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength to the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid items) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The County Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the County Board of Commissioners through adoption or amendment of the budget as intended for specific purpose (such as purchase of capital assets, construction, debt service, or for other purposes). It is the County's policy to use committed amounts first, then assigned amounts, and then unassigned amounts.

N. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

O. Use of Estimates to Prepare Financial Statements

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

P. Subsequent Events

Subsequent events have been evaluated by management through December 11, 2011, which is the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

At year end, the County had $50 in petty cash on hand and the carrying amount of the County's deposits (checking, savings and certificates of deposit) was $5,586,211 and the bank balance was $6,125,510. Of the bank balance, $1,116,364 was covered by federal depository insurance and $5,009,146 was covered by collateral held in the pledging bank's trust department or by its agent in the County's name. The County does not have a deposit policy for custodial credit risk.

At year end, the carrying amount of the Development Authority of Talbot County, a component unit of the County, deposits (checking and certificates of deposit) was $378,147 and the bank balance was $381,646. Of the bank balance, $296,891 was covered by federal depository insurance and $84,755 was covered by collateral held in the pledging bank's trust department or by its agent in the Authority's name.

As of June 30, 2011, the Health Department's cash deposits were entirely covered by federal depository insurance.

Neither of the discretely presented component units have a deposit policy for custodial credit risk.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 224,978			$ 224,978
Construction in progress	1,500,451	$ 73,760	$ (1,574,211)	-
Total capital assets, not being depreciated	1,725,429	73,760	(1,574,211)	224,978
Capital assets, being depreciated:				
Buildings and structures	2,518,950	1,574,211		4,093,161
Improvements	383,651	58,351		442,002
Machinery and equipment	3,476,333	223,669	(23,165)	3,676,837
Infrastructure		61,825		61,825
Total capital assets, being depreciated	6,378,934	1,918,056	(23,165)	8,273,825
Less, accumulated depreciation for:				
Buildings and structures	(755,373)	(68,203)		(823,576)
Improvements	(60,224)	(18,605)		(78,829)
Machinery and equipment	(2,176,930)	(296,424)	23,165	(2,450,189)
Infrastructure		(476)		(476)
Total accumulated depreciation	(2,992,527)	(383,708)	23,165	(3,353,070)
Total capital assets, being depreciated, net	3,386,407	1,534,348	-	4,920,755
Governmental activities capital assets, net	$ 5,111,836	$ 1,608,108	$ (1,574,211)	$ 5,145,733
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 19,600			$ 19,600
Construction in progress	5,450	$ 55,980		61,430
Total capital assets, not being depreciated	25,050	55,980	$ -	81,030
Capital assets, being depreciated:				
Machinery and equipment	85,049	65,547		150,596
Transportation equipment	59,116			59,116
Water system	5,876,805			5,876,805
Total capital assets, being depreciated	6,020,970	65,547	-	6,086,517
Less, accumulated depreciation for:				
Machinery and equipment	(78,817)	(6,062)		(84,879)
Transportation equipment	(43,748)	(6,137)		(49,885)
Water system	(2,406,875)	(146,821)		(2,553,696)
Total accumulated depreciation	(2,529,440)	(159,020)	-	(2,688,460)
Total capital assets, being depreciated, net	3,491,530	(93,473)	-	3,398,057
Business-type activities capital assets, net	$ 3,516,580	$ (37,493)	$ -	$ 3,479,087

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

Governmental activities:	
General government	$ 21,779
Judicial system	3,493
Public safety	171,376
Public works	88,554
Health and welfare	68,473
Culture and recreation	28,601
Planning and community development	1,162
Total depreciation expense - governmental activities	$ 383,708
Business-type activities:	
Water system	$ 159,020

Discretely Presented Component Units

The Development Authority of Talbot County's capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 117,336	$ -	$ -	$ 117,336
Capital assets being depreciated:				
Buildings	91,665			91,665
Furniture and equipment	1,442			1,442
Total capital assets being depreciated	93,107	-	-	93,107
Less, accumulated depreciation for:				
Buildings	(26,368)	(3,056)		(29,424)
Furniture and equipment	(1,442)			(1,442)
Total accumulated depreciation	(27,810)	(3,056)	-	(30,866)
Total capital assets being depreciated, net	65,297	(3,056)	-	62,241
Development Authority of Talbot County capital assets, net	$ 182,633	$ (3,056)	$ -	$ 179,577

Depreciation expense of the Development Authority of Talbot County was charged to functions as follows:

Business promotion and tourism	$ 3,056

The Talbot County Department of Public Health's capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Machinery and equipment	$ 5,203			$ 5,203
Less, accumulated depreciation:				
Machinery and equipment	(4,689)	$ (514)		(5,203)
Department of Public Health capital assets, net	$ 514	$ (514)	$ -	$ -

Depreciation expense of Talbot County Department of Public Health was charged to functions/programs as follows:

Health	$ 514

4. LONG-TERM DEBT

A. Revenue Bonds

Primary Government

The County's water system fund issues revenue bonds to make additions and improvements to the County's water system. The bonds are repaid through installments from the Water System Fund. The original amount of revenue bonds issued in prior years is $2,439,800. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Improvements to water system - Water System Fund	5.000%	$ 98,000
Improvements and additions to water system - Water System Fund	5.250%	787,838
Improvements and additions to water system - Water System Fund	5.125%	274,551
Water revenue refunding and improvements - Water System Fund	5.000%	772,044
		$ 1,932,433

Revenue bonds debt service requirements to maturity are as follows:

	Business-Type Activities	
	Principal	Interest
Year ending June 30:		
2012	$ 46,102	$ 98,430
2013	48,318	95,764
2014	51,393	93,239
2015	53,578	90,554
2016	56,643	87,439
2017-2021	317,087	391,973
2022-2026	346,749	306,411
2027-2031	448,509	204,651
2032-2036	361,315	86,777
2037-2041	202,739	24,287
	$ 1,932,433	$ 1,479,525

B. Capital Lease

Primary Government

The County has entered into lease agreements as a lessee for financing the acquisition of various equipment and vehicles for the governmental activities. All of these leases are being paid by the general fund. The County has also entered into a lease agreement as a lessee for financing equipment for the proprietary activities. This lease is being paid by the water fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Water Fund
Machinery and equipment	$ 475,980	$ 65,547
Less, accumulated depreciation	(144,299)	(4,680)
	$ 331,681	$ 60,867

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are being repaid through the General Fund and were as follows:

	Governmental Activities	Water Fund
Year ending June 30:		
2012	$ 63,883	$ 7,162
2013	46,719	7,162
2014	46,719	7,162
2015	162,802	7,162
2016		40,162
Total minimum lease payments	320,123	68,810
Less, amount representing interest	(31,697)	(8,606)
Present value of minimum lease payments	$ 288,426	$ 60,204

C. Note Payable

Primary Government

The County has entered into a note payable for financing renovations of the County's courthouse. The total amount of the loan is $1,106,000. As of June 30, 2011 $1,097,733 had been issued.

Purpose	Interest Rate	Amount
Renovations of courthouse-SPLOST	4.125%	$ 1,078,411

Loans payable debt service requirements to maturity are as follows:

	Governmental Activities	
	Principal	Interest
Year ending June 30:		
2012	$ 20,120	$ 44,825
2013	20,949	43,996
2014	21,814	43,131
2015	22,713	42,232
2016	23,650	41,294
2017-2021	133,716	191,009
2022-2026	163,666	161,059
2027-2031	200,324	124,401
2032-2036	245,193	79,532
2037-2040	226,266	24,639
	$ 1,078,411	$ 796,118

D. Compensated Absences

Primary Government and Discretely Presented Component Unit

The County and Talbot County Department of Public Health accrue compensated absences for their employees. Both the governmental activities of the County and Talbot County Department of Public Health have compensated absences at June 30, 2011. Accrued compensated absences from the governmental activities of the County are repaid through the general fund. The Talbot County Department

of Public Health compensated absences are repaid through the component unit's general fund.

E. Changes in Long-Term Liabilities

Primary Government

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Governmental activities:					
Capital leases	$ 301,750	$ 54,325	$ (67,649)	$ 288,426	$ 52,098
Note payable	1,013,278	84,455	(19,322)	1,078,411	20,120
Accrued compensated absences	39,993	35,112	(39,993)	35,112	35,112
Landfill postclosure costs	739,987		(19,717)	720,270	21,114
Governmental activity long-term liabilities	$2,095,008	$ 173,892	$(146,681)	$2,122,219	$ 128,444
Business-type activities:					
Capital leases		$ 60,204		$ 60,204	$ 5,231
Revenue bonds payable	$ 1,983,070		$ (50,637)	1,932,433	46,102
Less, deferred amounts:					
Issuance discounts	(23,054)	982		(22,072)	
Business-type activity long-term liabilities	$ 1,960,016	$ 61,186	$ (50,637)	$1,970,565	$ 51,333

Discretely Presented Component Units

Long-term liability activity for the year ended June 30, 2011 for the Talbot County Department of Public Health was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Compensated absences	$ 10,178	$ 2,563	$ (4,304)	$ 8,437	$ 4,304

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances due to/from other funds as of June 30, 2011, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Water fund	$ 27,919
General fund	SPLOST	3,678
General fund	Nonmajor governmental funds	1,885
SPLOST	General fund	18,100
Nonmajor governmental funds	General fund	12,187
Nonmajor governmental funds	Nonmajor governmental funds	1,004
		$ 64,773

These balances represent temporary loans between funds.

Interfund transfers for the year ended June 30, 2011 consist of the following:

	Transfer In	
Transfer Out	Water Fund	E911
General Fund	$ 5,874	$ 239

Transfers are used to 1) subsidize general operating expenditures and 2) to reimburse water fund for general fund expenditures.

6. PENSION PLAN AND OTHER RETIREMENT BENEFITS

A. Pension Plan

County employees are covered by the Talbot County Money Purchase Plan, a noncontributory defined contribution pension plan for full-time County employees who have attained age 21 and have completed two years of service. Under the plan, the County contributes 6% of participating employee compensation. Plan provisions and contribution requirements are established and may be amended by a resolution of the Talbot County Commission. Full vesting occurs after two years of service. Georgia Farm Bureau has been selected to administer and act as trustee for the plan.

The County's contribution for the year ended June 30, 2011 was $97,475. Total payroll for the year ended June 30, 2011 was $2,187,219.

B. Other Retirement Benefits

In addition to the pension plan, the following other retirement benefits are in effect but are not under the direct control of the County:

Probate Judges' Retirement Fund of Georgia - The Probate Judge is covered under a pension plan which requires that certain sums from marriage licenses and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

Clerk of Superior Court Retirement Fund - The Clerk of Superior Court is covered under a pension plan which requires that certain sums from fees and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

Sheriff's Retirement Fund/Peace Officer's Annuity and Benefit Fund - The Sheriff and Sheriff Deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the Probate Judge or Clerk of Superior Court to the pension plans before the payment of any costs or other claims.

7. JOINT USE AGREEMENT

On August 4, 1992, the County entered into a joint services contract with the City of Manchester, Georgia regarding the City's water treatment facility. The contract entitles the County to 29% of the City's total water treatment plant capacity, 29% of the reservoir capacity and 29% of total water line capacity. The County in turn shares in the cost of operating and maintaining the water treatment facility based upon actual consumption by the County in relation to the total production of the water treatment plant. Payments to the City are reported as water purchases in the statement of revenues, expenses and changes in fund net assets for proprietary funds.

8. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Talbot County landfill ceased operation in April, 1994. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. The recognition of the liability for closure and postclosure care costs is based on landfill capacity used to date. As of June 30, 2011, 100% of the landfill capacity had been used and the landfill has no remaining life. The $720,270 reported in the governmental activities long-term liabilities on the government-wide financials as landfill postclosure costs at June 30, 2011 represents the unpaid closure and postclosure costs based upon the most current estimate available, and there is no unrecognized liability at June 30, 2011. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County has met certain financial tests which it feels meet the financial assurance requirements for closure and postclosure care. Financial expenditures associated with the landfill are being repaid through the general fund.

9. LITIGATION

Any pending law suits at June 30, 2011 are covered by insurance and should not materially affect the financial statements of Talbot County, Georgia.

10. CONTINGENT LIABILITIES

The activities of the General Fund include revenues received from Federal and State governments and expenditures related to Federal and State funded grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies' audits cannot be determined at this time, although the County believes it is in compliance with all related program requirements.

11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund reported a material budget violation when expenditures of the primary government exceeded budgeted appropriations in some of the departments, as shown on pages 9 and 10 of these financial statements. These over expenditures were funded by available fund balance. In future years, the County will analyze the budget periodically for deficiencies. All deficiencies will be investigated and budget amendments will be adopted when appropriate.

12. FUND BALANCES/ NET ASSETS

All funds operated by the County had positive fund balances and net assets balances at June 30, 2011.

Both discretely presented component units of the County also had positive fund balances and net assets balances at June 30, 2011.

13. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The County maintains commercial insurance coverage covering each of the above risks of loss.

There were no significant reductions of insurance coverage from coverage in the prior year.

Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the County.

Settled claims in the past three years have not exceeded the coverage.

Risk Pool - The County has elected to be a member of the Association County Commissioners of Georgia Group Self Insurance Workers' Compensation Fund (GSIWCF), a self-insurance risk pool created under Georgia law. As a participant in the GSIWCF, the County has no legal obligation to pay its own workers' compensation claims. The County is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the County's annual contribution, the County has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GSIWCF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. Since excess insurance is purchased by the GSIWCF to protect the Fund from catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

14. JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the central Georgia area, is a member of the River Valley Regional Commission (RC) and is required to pay annual dues thereto. During its year ended June 30, 2011, the County paid $4,720 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes members from each county of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

River Valley Regional Commission
P.O. Box 1908
Columbus, Georgia 31902

15. STATE LAW VIOLATION

In a prior fiscal year the County was cited by the Georgia Department of Natural Resources Environmental Protection Division for violation of Georgia Rules for Underground Storage Tank Management. The County failed to meet the permanent closure requirements for the road department underground storage tank. The total cost of correcting the violation is not known, however the County plans to comply fully with the closure requirement.

TALBOT COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue Funds			Capital Projects Funds	
	Law Library	E911	Grant Fund	Jail	Total Nonmajor Governmental Funds
Assets					
Cash	$ 8,203	$ 82,428	$ 1,845	$ 97,340	$ 189,816
Grant receivable			12,760		12,760
Due from other funds				13,191	13,191
Total assets	$ 8,203	$ 82,428	$ 14,605	$ 110,531	$ 215,767
Liabilities					
Accounts payable			$ 12,760		$ 12,760
Due to other funds		$ 2,889			2,889
Deferred revenue		68,866			68,866
Total liabilities		71,755	12,760		84,515
Fund Balances					
Restricted for:					
Law library	$ 8,203				8,203
E911		10,673			10,673
Public works			1,845		1,845
Capital projects				$ 110,531	110,531
Total fund balances	8,203	10,673	1,845	110,531	131,252
Total liabilities and fund balances	$ 8,203	$ 82,428	$ 14,605	$ 110,531	$ 215,767

TALBOT COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue Funds			Capital Projects Funds	
	Law Library	E911	Grant Fund	Jail	Total Nonmajor Governmental Funds
Revenues:					
Fine, forfeitures and court fees	$ 2,977			$ 16,616	$ 19,593
Grants and subsidies		$ 30,975	$ 473,484		504,459
Interest				232	232
Total revenues	2,977	30,975	473,484	16,848	524,284
Expenditures:					
Current:					
Judicial system	4,194				4,194
Public safety		31,214		743	31,957
Public works			471,639		471,639
Capital outlay:					
Judicial system	7,508				7,508
Public safety				6,950	6,950
Total expenditures	11,702	31,214	471,639	7,693	522,248
Excess (deficiency) of revenues over (under) expenditures	(8,725)	(239)	1,845	9,155	2,036
Other financing sources (uses):					
Transfer in		239			239
Total other financing sources (uses)	-	239	-	-	239
Net change in fund balances	(8,725)	-	1,845	9,155	2,275
Fund balances at beginning of year	16,928	10,673	-	101,376	128,977
Fund balances at end of year	$ 8,203	$ 10,673	$ 1,845	$ 110,531	$ 131,252

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - LAW LIBRARY
Year Ended June 30, 2011

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Fines, forfeitures and court fees	$ 2,977	$ 2,977	$ -
Total revenues	2,977	2,977	-
Expenditures:			
Current:			
Judicial system - Law library	4,194	4,194	-
Capital Outlay:			
Judicial system	7,508	7,508	-
Total expenditures	11,702	11,702	-
Excess (deficiency) of revenues over (under) expenditures	(8,725)	(8,725)	-
Net change in fund balances	(8,725)	(8,725)	-
Fund balances at beginning of year	16,928	16,928	-
Fund balances at end of year	$ 8,203	$ 8,203	$ -

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - E911
Year Ended June 30, 2011

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Grants and subsidies	$ 30,975	$ 30,975	$ -
Total revenues	30,975	30,975	-
Expenditures:			
Current:			
Public safety - E911	31,214	31,214	-
Total expenditures	31,214	31,214	-
Excess (deficiency) of revenues over (under) expenditures	(239)	(239)	-
Other financing sources (uses):			
Transfer in	239	239	-
Total other financing sources (uses)	239	239	-
Net change in fund balances	-	-	-
Fund balances at beginning of year	10,673	10,673	-
Fund balances at end of year	$ 10,673	$ 10,673	$ -

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - GRANT FUND
Year Ended June 30, 2011

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Grants and subsidies	$ 473,484	$ 473,484	$ -
Total revenues	473,484	473,484	-
Expenditures:			
Current:			
Public works	471,639	471,639	-
Total expenditures	471,639	471,639	-
Excess (deficiency) of revenues over (under) expenditures	1,845	1,845	-
Net change in fund balances	1,845	1,845	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	$ 1,845	$ 1,845	$ -

TALBOT COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
TAX COMMISSIONER				
ASSETS				
Cash	$ 110,333	$ 9,061,947	$ 9,076,017	$ 96,263
Receivables, taxes	17,674	16,121	17,674	16,121
Total assets	$ 128,007	$ 9,078,068	$ 9,093,691	$ 112,384
LIABILITIES				
Due to others	$ 128,007	$ 112,384	$ 128,007	$ 112,384
Total liabilities	$ 128,007	$ 112,384	$ 128,007	$ 112,384
CLERK SUPERIOR COURT				
ASSETS				
Cash	$ 77,651	$ 163,173	$ 164,284	$ 76,540
LIABILITIES				
Due to others	$ 77,651	$ 76,540	$ 77,651	$ 76,540
PROBATE COURT				
ASSETS				
Cash	$ 9,762	$ 189,117	$ 192,206	$ 6,673
LIABILITIES				
Due to others	$ 9,762	$ 6,673	$ 9,762	$ 6,673
MAGISTRATE COURT				
ASSETS				
Cash	$ 661	$ 25,475	$ 25,540	$ 596
LIABILITIES				
Due to others	$ 661	$ 596	$ 661	$ 596
SHERIFF				
ASSETS				
Cash	$ -	$ 23,964	$ 23,964	$ -
LIABILITIES				
Due to others	$ -	$ -	$ -	$ -

TALBOT COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
Year Ended June 30, 2011

Project	Estimated Percent of Completion	Estimated Project Amount	Amount Expended Prior Years	Adjustment to Prior Years	Revised Amount Expended Prior Years	Amount Expended Current Year
Resolution #072498:						
Recreational facilities and equipment	90%	$ 500,000	$ 448,414		$ 448,414	$ 349
Public safety facilities and equipment	106%	500,000	528,803		528,803	-
Roads, streets and bridge purposes	105%	1,000,000	1,048,606		1,048,606	-
Resolution #070102:						
Recreational facilities and equipment	13%	$ 2,000,000	$ 251,060		$ 251,060	$ 10,511
Public safety facilities	24%	2,000,000	403,707		403,707	72,921
Roads, streets and bridge purposes	28%	3,500,000	1,053,978	$ (110,269)	943,709	19,132
Courthouse	27%	1,500,000	404,784		404,784	-
County Commissioners annex	19%	1,000,000	164,928		164,928	25,228
Resolution #070107:						
Roads, streets and bridge purposes	13%	$ 1,200,000		$ 110,269	$ 110,269	$ 42,692
Public safety facilities	9%	400,000	$ 22,257		22,257	13,720
Recreational facilities and equipment	2%	400,000				6,181
Courthouse	69%	1,600,000	1,094,654		1,094,654	9,509
Town of Geneva	32%	100,000	5,834		5,834	25,293
Town of Junction City	32%	100,000	5,834		5,834	25,294
City of Talbotton	32%	100,000	5,832		5,832	25,294
City of Woodland	32%	100,000	5,832		5,832	25,294
Debt service	NA	NA				64,945

TALBOT COUNTY, GEORGIA
SOURCE AND APPLICATION OF FUNDS STATUS REPORT
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2011

CDBG 19b-y-130-1-5178:

Total grant	$	800,000
Less, total funds drawn down by recipient for the year ended:		
June 30, 2011		(473,484)
June 30, 2010		(8,400)
Program funds available for future draw down	$	318,116
Total program funds drawn down by recipient for the year ended June 30, 2011	$	473,484
Add, program income applicable to the year ended June 30, 2011		-
Total program funds drawn by recipient and program income for the year ended June 30, 2011	$	473,484

TALBOT COUNTY, GEORGIA
PROJECT COST SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2011

Activity	Budgeted Expenditures	Actual Expenditures: Year Ended June 30, 2011	Actual Expenditures: Prior Years	Questioned Cost
CDBG 09b-y-130-1-5178:				
C-022-00	$ 44,110			
P-03K-02	350,625	$ 289,424		None
T-03K-02	1,357	1,357		None
H-14A-01	83,595	2,055		None
H-14A-02	201,373	92,230		None
A-21A-00	56,000	29,720	$ 8,400	None
P-03K-01	62,940	56,854		None
	$ 800,000	$ 471,640	$ 8,400	

TALBOT COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity ID#	Federal Expenditures
U.S. Department of Agriculture:			
Facilities Loan Program	10.766		$ 84,455
U.S. Department of Homeland Security:			
Emergency Management Performance Grant	97.042		5,000
U.S. Department of Transportation:			
Passed through Georgia Department of Transportation:			
Transit Operating Grant	20.507	GA-18-4031	125,583
Capital Investment Grant	20.500	GA-8G-X001	124,000
Total U.S. Department of Transportation			249,583
U.S. Department of Health and Human Services:			
Passed through Georgia Dept. of Human Resources:			
Nutrition Program	93.045	00-007	67,665
U.S. Department of Housing and Urban Development:			
Passed through Georgia Dept. of Community Affairs:			
Community Development Block Grant	14.218	09b-y-130-1-5178	471,639
U.S. Department of Justice:			
Passed through Harris County, Georgia			
ARRA - Justice Assistance Grant	16.738	2010-B82-8-314	24,423
Total expenditures of federal awards			$ 902,765

See accompanying notes to schedule of expenditures of federal awards.

AJ&K

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CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Talbot County, Georgia
Talbotton, Georgia 31827

COMPLIANCE

We have audited Talbot County, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of Talbot County, Georgia's major federal programs for the year ended June 30, 2011. Talbot County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Talbot County, Georgia's management. Our responsibility is to express an opinion on Talbot County, Georgia's compliance based on our audit.

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

In our opinion, Talbot County, Georgia complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

INTERNAL CONTROL OVER COMPLIANCE

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Talbot 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* which are described in the accompanying schedule of findings and questioned costs as items 11-3 and 11-4.

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

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

Manchester, Georgia
December 11, 2011

AJ&K

Abbott, Jordan & Koon, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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(706) 846-8401 □ Fax (706) 846-3370

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

To the Board of Commissioners
Talbot County, Georgia
Talbotton, Georgia 31827

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 Talbot County, Georgia, as of and for the year ended June 30, 2011, which collectively comprise Talbot County, Georgia's basic financial statements and have issued our report thereon dated December 11, 2011. 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. We did not audit the financial statements of the Talbot County Department of Public Health, which represents 8% and 90%, respectively, of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Talbot County Department of Public Health is based on the report of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting noted as items 11-1 and 11-2. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Talbot 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* which are described in the accompanying schedule of findings and questioned costs as items 11-3 and 11-4.

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

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

Manchester, Georgia
December 11, 2011

TALBOT COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Talbot County, Georgia.

2. Two significant deficiencies disclosed during the audit of the basic financial statements are reported in the "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.*" These significant deficiencies were determined not to be a material weaknesses.

3. Two instances of noncompliance material to the financial statements of Talbot County, Georgia was disclosed during the audit of the basic financial statements.

4. No significant deficiencies disclosed during the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with *OMB Circular A-133.*"

5. The auditor's report on compliance for the major federal award programs for Talbot County, Georgia expresses an unqualified opinion.

6. No audit findings relative to the major federal awards program for Talbot County, Georgia are reported in Part C of this schedule.

7. The program tested as a major program is the U.S. Department of Housing and Urban Development – Community Development Block Grant CFDA #14.228.

8. The threshold for distinguishing types A and B programs was $300,000.

9. Talbot County, Georgia was not determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

11-1 Segregation of Duties

Condition and Criteria:	Due to the small size of the County's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions. This is a repeat finding from the prior year. Additionally, the County does not currently have a formal process for review and approval of invoices.
Effect:	Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.
Recommendation:	The County Commission should implement other internal controls in areas where segregation of duties is not practical. An integral part of those controls should be an established written policy for the approval of invoices prior to payment.
Response:	We continue to require dual signatures and review income and expenses regularly. Monitoring areas for increased segregation is an on-going process. Effective immediately the Commissioners will develop a written policy for the approval of invoices. This policy will establish varying levels of approval based upon the dollar amount and character of the expenditure.

11-2 Controls Over Financial Statement Preparation

Condition and Criteria:	County personnel do not currently possess the professional skills necessary to prepare or review the year end financial statements in sufficient detail to detect material misstatements in the financial statements and related footnotes. This is a repeat finding from the prior year
Effect:	The deficiency identified above could result in a material misstatement to the County's financial statements that would not be prevented or detected on a timely basis.
Recommendation:	The County should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.
Response:	We concur. We will evaluate the cost effectiveness of implementing the control and act accordingly.

COMPLIANCE

11-3 Environmental Law Compliance

Condition and Criteria:	In a prior year it was determined that the County was in violation of the Georgia Rules for Underground Storage Tank Management. As of June 30, 2011, the County had not implemented procedures to correct the violation. This is a repeat finding from the prior year.
Effect:	The failure to comply with Georgia environmental laws could result in the assessment of penalties to the County and jeopardize funding received from the state.
Recommendation:	The County should implement procedures to correct the environmental violation related to the underground storage tanks.
Response:	We are working with outside engineers and State agencies to resolve issue.

11-4 Interfund Balance

Condition and Criteria:	The General Fund owes the SPLOST fund $18,100 at June 30, 2011 because an invoice was paid which wasn't for the purpose specified in the SPLOST resolution.
Effect:	This is a violation of state law.
Recommendation:	The County should implement procedures to ensure all SPLOST expenditures are for the specified purpose in the resolution before invoices are paid.
Response:	These funds were repaid on September 23, 2011 and an approval process will be implemented immediately to approve invoices.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None