TALBOT COUNTY, GEORGIA

FINANCIAL STATEMENTS

Year Ended June 30, 2012

AJK

TALBOT COUNTY, GEORGIA
FINANCIAL STATEMENTS
Year Ended June 30, 2012

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AJ&K

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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, 2012, 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 11% and 89%, respectively, of the assets and revenues of the component units. These financial statements as of June 30, 2012, 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.

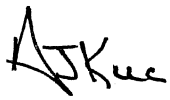
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012, 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 7, 2012 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, Georgia'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 combining, individual fund schedules, and other supplemental information 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 7, 2012

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Development Authority	Department of Public Health
Assets					
Cash	$ 5,253,756	$ 186,292	$ 5,440,048	$ 366,470	$ 66,804
Receivables (net of allowance for doubtful accounts, where applicable):					
Taxes	271,176		271,176		
Accounts	76,630	123,546	200,176		
Other	271,900		271,900		
Inventory		6,231	6,231		
Prepaid items	19,224		19,224		
Restricted cash		162,763	162,763		
Capital assets not being depreciated	325,174	19,600	344,774	117,336	
Capital assets being depreciated, net of accumulated depreciation	5,136,384	3,303,113	8,439,497	59,185	
Total assets	11,354,244	3,801,545	15,155,789	542,991	66,804
Liabilities					
Accounts payable	126,414	25,957	152,371		
Accrued liabilities	14,877	9,915	24,792	4,423	
Customer deposits		96,632	96,632		
Deferred income	89,157		89,157		
Matured note principal and interest payable	64,945		64,945		
Long-term liabilities:					
Due within one year	122,051	53,553	175,604		4,364
Due in more than one year	2,017,289	1,866,662	3,883,951		12,499
Total liabilities	2,434,733	2,052,719	4,487,452	4,423	16,863
Net Assets					
Invested in capital assets, net of related debt	4,155,774	1,402,498	5,558,272	176,521	
Restricted:					
Capital projects	1,992,545		1,992,545		
Public safety	41,053		41,053		
Public works	2,351		2,351		
Judicial	10,619		10,619		
Prior year program income					17,946
Unrestricted	2,717,169	346,328	3,063,497	362,047	31,995
Total net assets	$ 8,919,511	$ 1,748,826	$ 10,668,337	$ 538,568	$ 49,941

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

TALBOT COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

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	$ 1,517,425	$ 43,725	$ 80,310		$ (1,393,390)		$ (1,393,390)		
Judicial system	422,001		15,661		(406,340)		(406,340)		
Public safety	1,683,925	474,674	37,098	$ 54,478	(1,117,675)		(1,117,675)		
Public works	1,335,441	302,933	47,921	92,452	(892,135)		(892,135)		
Health and welfare	708,890	174,979	218,109		(315,802)		(315,802)		
Culture and recreation	206,975	851			(206,124)		(206,124)		
Planning and community development	182,041		61,178		(120,863)		(120,863)		
Interest on long-term debt	64,153				(64,153)		(64,153)		
Total governmental activities	6,120,851	997,162	460,277	146,930	(4,516,482)		(4,516,482)		
Business-type activities:									
Water system	767,561	653,712				$ (113,849)	(113,849)		
Total business-type activities	767,561	653,712	-	-	-	(113,849)	(113,849)		
Total primary government	$ 6,888,412	$ 1,650,874	$ 460,277	$ 146,930	(4,516,482)	(113,849)	(4,630,331)		
Component units:									
Development Authority	$ 33,380	$ 20,000						$ (13,380)	
Department of Public Health	167,242	28,921	$ 146,821						$ 8,500
Total component units	$ 200,622	$ 48,921	$ 146,821	$ -				(13,380)	8,500
General revenues:									
Taxes:									
Property					3,240,691		3,240,691		
Sales					850,924		850,924		
Insurance premiums					213,023		213,023		
Motor vehicle and mobile home					242,261		242,261		
Alcoholic beverage					41,948		41,948		
Other					118,094		118,094		
Miscellaneous revenue					97,116		97,116		
Interest revenue					8,013	346	8,359	660	
Transfers					(562)	562	-		
Total general revenues					4,811,508	908	4,812,416	660	-
Change in net assets					295,026	(112,941)	182,085	(12,720)	8,500
Net assets at beginning of year					8,624,485	1,861,767	10,486,252	551,288	41,441
Net assets at end of year					$ 8,919,511	$ 1,748,826	$ 10,668,337	$ 538,568	$ 49,941

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

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

	Major Governmental Fund Types		Nonmajor Governmental Fund Types	
Assets	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Cash	$ 3,249,434	$ 1,753,923	$ 250,399	$ 5,253,756
Receivables (net where applicable of allowances for uncollectibles):				
Taxes	271,176			271,176
Accounts	76,630			76,630
Other	107,209	126,882	37,809	271,900
Due from other funds	8,228		1,288	9,516
Prepaid expenditures	19,224			19,224
Total assets	$ 3,731,901	$ 1,880,805	$ 289,496	$ 5,902,202
Liabilities				
Accounts payable - Trade	$ 69,860	$ 4,465	$ 52,089	$ 126,414
Accrued liabilities	14,877			14,877
Matured note principal and interest payable	64,945			64,945
Due to other funds	1,288	8,228		9,516
Deferred income	159,190		89,157	248,347
Total liabilities	310,160	12,693	141,246	464,099
Fund balances				
Fund balances:				
Nonspendable - prepaid items	19,224			19,224
Restricted for:				
Capital projects		1,868,112	124,433	1,992,545
Public safety	30,206		10,847	41,053
Public works			2,351	2,351
Judicial			10,619	10,619
Unassigned	3,372,311			3,372,311
Total fund balances	3,421,741	1,868,112	148,250	5,438,103
Total liabilities and fund balances	$ 3,731,901	$ 1,880,805	$ 289,496	$ 5,902,202

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, 2012

Fund balances - Total governmental funds		$ 5,438,103
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		9,254,135
Deduct, accumulated depreciation		(3,792,577)
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, 2012 are:		
Capital leases	$ (236,295)	
Compensated absences	(28,887)	
Landfill post-closure costs	(700,090)	
Note payable	(1,069,489)	
Intergovernmental contract	(104,579)	
Total long-term liabilities		(2,139,340)
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		159,190
Net assets of governmental activities		$ 8,919,511

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, 2012

	Major Governmental Fund Types		Nonmajor Governmental Fund Types	
	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	$ 3,231,669			$ 3,231,669
Sales	331,482	$ 519,442		850,924
Insurance premium	213,023			213,023
Motor vehicle and mobile home	242,261			242,261
Alcoholic beverage	41,948			41,948
Other	118,094			118,094
Licenses and permits	43,725			43,725
Charges for services	740,259			740,259
Fines, forfeitures and court fees	196,683		$ 16,495	213,178
Grants and subsidies	442,178		163,577	605,755
Interest revenue	7,668	1,452	345	9,465
Other revenue	97,057	59		97,116
Total revenues	5,706,047	520,953	180,417	6,407,417
Expenditures:				
Current:				
General government	1,448,774			1,448,774
Judicial system	416,244		348	416,592
Public safety	1,474,286			1,474,286
Public works	1,161,127		47,415	1,208,542
Health and welfare	641,024			641,024
Culture and recreation	169,159			169,159
Planning and community development	119,743		61,178	180,921
Intergovernmental support		65,190		65,190
Debt service:				
Principal payments	92,567			92,567
Interest payments	64,153			64,153
Capital outlay:				
Judicial system	1,575			1,575
General government	145,153	8,819		153,972
Public safety	125,115	46,502	54,478	226,095
Public works	169,605	146,681		316,286
Health and welfare	5,320			5,320
Culture and recreation		71,012		71,012
Total expenditures	6,033,845	338,204	163,419	6,535,468
Excess (deficiency) of revenues over (under) expenditures	(327,798)	182,749	16,998	(128,051)
Other financing sources (uses):				
Debt proceeds	115,913			115,913
Transfers out	(562)			(562)
Total other financing sources (uses)	115,351	-	-	115,351
Net change in fund balances	(212,447)	182,749	16,998	(12,700)
Fund balances at beginning of year	3,634,188	1,685,363	131,252	5,450,803
Fund balances at end of year	$ 3,421,741	$ 1,868,112	$ 148,250	$ 5,438,103

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, 2012

Net changes in fund balances - Total governmental funds	$ (12,700)
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 ($755,332) exceeded depreciation ($439,507) in the current period.	315,825
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.	(23,346)
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	6,225
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, 2011 ($150,168) to June 30, 2012 ($159,190)	9,022
Change in net assets of governmental activities	$ 295,026

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amount	
Revenues:				
Taxes:				
Property	$ 3,336,835	$ 3,336,835	$ 3,231,669	$ (105,166)
Sales	347,953	347,953	331,482	(16,471)
Insurance premium	222,168	222,168	213,023	(9,145)
Motor vehicle and mobile home	220,258	220,258	242,261	22,003
Alcoholic beverage	35,727	35,727	41,948	6,221
Other	80,249	80,249	118,094	37,845
Licenses and permits	36,084	36,084	43,725	7,641
Charges for services	811,565	811,565	740,259	(71,306)
Fines, forfeitures and court fees	218,926	218,926	196,683	(22,243)
Grants and subsidies	424,058	515,058	442,178	(72,880)
Interest revenue	10,700	10,700	7,668	(3,032)
Other revenue	34,766	84,806	97,057	12,251
Total revenues	5,779,289	5,920,329	5,706,047	(214,282)
Expenditures:				
Current:				
General government:				
General administration	1,228,929	410,349	408,994	1,355
County commissioners	239,420	295,504	285,300	10,204
Tax commissioners	217,769	274,918	269,112	5,806
Tax assessors	162,764	202,805	202,794	11
Elections	223,618	196,166	164,735	31,431
Public buildings	115,025	117,840	117,839	1
Total general government	2,187,525	1,497,582	1,448,774	48,808
Judicial system:				
Probate court	131,680	166,715	159,264	7,451
Clerk of superior court	124,096	159,289	155,124	4,165
Magistrate	20,422	25,508	23,355	2,153
Other court services	114,587	114,587	78,501	36,086
Total judicial system	390,785	466,099	416,244	49,855
Public safety:				
Ambulance service	399,592	487,890	416,288	71,602
Coroner	17,570	19,477	16,618	2,859
Fire	88,847	88,847	54,916	33,931
Animal control	33,322	40,457	34,199	6,258
Sheriff and jail	682,694	826,225	814,174	12,051
EMA services	20,594	21,512	20,500	1,012
Regional E-911		117,591	117,591	
Total public safety	1,242,619	1,601,999	1,474,286	127,713

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, 2012
(Continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amount	
Public works:				
Landfill	348,215	357,985	355,981	2,004
Public works	732,012	834,292	805,146	29,146
Total public works	1,080,227	1,192,277	1,161,127	31,150
Health and welfare:				
Transit	323,920	378,027	342,309	35,718
Nutrition	168,960	215,464	215,462	2
Health appropriations	85,909	85,909	83,253	2,656
Total health and welfare	578,789	679,400	641,024	38,376
Culture and recreation:				
Parks	114,245	141,016	138,359	2,657
Library	30,800	30,800	30,800	
Total culture and recreation	145,045	171,816	169,159	2,657
Planning and community development:				
County agent	52,337	61,732	48,035	13,697
Building and zoning	49,039	57,727	50,587	7,140
Planning and community development appropriations	21,121	21,121	21,121	
Total planning and community development	122,497	140,580	119,743	20,837
Debt service:				
Principal	92,567	92,567	92,567	
Interest	30,269	64,154	64,153	1
Total debt service	122,836	156,721	156,720	1
Capital outlay:				
Judicial	9,000	9,000	1,575	7,425
General government	6,000	146,512	145,153	1,359
Culture and recreation	5,000	5,000		5,000
Public safety	43,900	125,125	125,115	10
Public works	30,000	169,610	169,605	5
Health and welfare	400	5,720	5,320	400
Planning and community development	1,000	1,000		1,000
Total capital outlay	95,300	461,967	446,768	15,199
Total expenditures	5,965,623	6,368,441	6,033,845	334,596
Excess (deficiency) of revenues over (under) expenditures	(186,334)	(448,112)	(327,798)	120,314
Other financing sources (uses):				
Debt proceeds			115,913	115,913
Transfers out			(562)	(562)
Total other financing sources (uses)	-	-	115,351	115,351
Net change in fund balances	(186,334)	(448,112)	(212,447)	235,665
Fund balances at beginning of year	3,634,188	3,634,188	3,634,188	-
Fund balances at end of year	$ 3,447,854	$ 3,186,076	$ 3,421,741	$ 235,665

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

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

	Business-Type Activities Major Fund Type Water System
Assets	
Current assets:	
Cash	$ 186,292
Accounts receivable (net of allowance for uncollectible)	123,546
Inventory	6,231
Restricted cash	162,763
Total current assets	478,832
Noncurrent assets:	
Capital assets not being depreciated	19,600
Capital assets being depreciated, net of accumulated depreciation	3,303,113
Total noncurrent assets	3,322,713
Total assets	3,801,545
Liabilities	
Current liabilities:	
Accounts payable	25,957
Customer deposits	96,632
Accrued interest	9,915
Revenue bonds, current portion	48,318
Capital leases payable, current portion	5,235
Total current liabilities	186,057
Noncurrent liabilities:	
Revenue bonds payable	1,816,924
Capital leases payable	49,738
Total noncurrent liabilities	1,866,662
Total liabilities	2,052,719
Net Assets	
Invested in capital assets, net of related debt	1,402,498
Unrestricted	346,328
Total net assets	$ 1,748,826

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, 2012

	Business-Type Activities Major Fund Types Water System
Operating revenues:	
Charges for services	$ 611,438
Penalties	28,500
Miscellaneous	13,774
Total operating revenue	653,712
Operating expenses:	
Salaries and benefits	164,006
Water purchases	200,100
Services and supplies	68,796
Depreciation and amortization	165,287
Other operating	69,319
Total operating expenses	667,508
Operating income (loss)	(13,796)
Nonoperating revenues (expenses):	
Interest income	346
Interest expense	(100,053)
Total nonoperating revenues (expenses)	(99,707)
Income (loss) before transfers	(113,503)
Transfers in	562
Change in net assets	(112,941)
Net assets, at beginning of year	1,861,767
Net assets, at end of year	$ 1,748,826

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

TALBOT COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-Type Activities Major Fund Types Water System
Cash flows from operating activities:	
Receipts from customers	$ 632,186
Receipt of customer deposits	8,087
Payments to employees	(164,006)
Payments to vendors	(396,901)
Net cash provided by operating activities	79,366
Cash flows from noncapital financing activities:	
Transfers in	562
Net cash provided by noncapital financing activities	562
Cash flows from capital and related financing activities:	
Purchase of capital assets	(7,929)
Principal paid on capital debt	(51,334)
Interest paid on capital debt	(100,362)
Net cash used by capital and related financing activities	(159,625)
Cash flows from investing activities:	
Interest income	346
Net cash provided by investing activities	346
Net increase (decrease) in cash	(79,351)
Cash at beginning of year	428,406
Cash at end of year	$ 349,055
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	$ (13,796)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	165,287
(Increase) decrease in:	
Accounts receivable	(21,526)
Inventories	(989)
Increase (decrease) in:	
Customer deposits	8,087
Accounts payable	(29,778)
Due to other funds	(27,919)
Net cash provided by operating activities	$ 79,366

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

TALBOT COUNTY, GEORGIA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2012

	Agency Funds
Assets	
Cash	$ 180,906
Taxes receivable	17,565
Total assets	$ 198,471
Liabilities	
Due to others	$ 198,471
Total liabilities	$ 198,471

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 2012 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, 2012, 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 restricted fund balances first, followed by committed, assigned, and then unassigned amounts, respectively.

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 7, 2012, 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 $5,783,667 and the bank balance was $5,956,689. Of the bank balance, $1,064,196 was covered by federal depository insurance and $4,892,493 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 $366,470 and the bank balance was $366,470. Of the bank balance, $281,055 was covered by federal depository insurance and $85,415 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, 2012, 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

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 224,978	$ 50,703		$ 275,681
Construction in progress		49,493		49,493
Total capital assets, not being depreciated	224,978	100,196	$ -	325,174
Capital assets, being depreciated:				
Buildings and structures	4,093,161	132,321		4,225,482
Improvements	442,002	7,350		449,352
Machinery and equipment	3,676,837	277,784		3,954,621
Infrastructure	61,825	237,681		299,506
Total capital assets, being depreciated	8,273,825	655,136	-	8,928,961
Less, accumulated depreciation for:				
Buildings and structures	(823,576)	(107,133)		(930,709)
Improvements	(78,829)	(20,667)		(99,496)
Machinery and equipment	(2,450,189)	(307,180)		(2,757,369)
Infrastructure	(476)	(4,527)		(5,003)
Total accumulated depreciation	(3,353,070)	(439,507)	-	(3,792,577)
Total capital assets, being depreciated, net	4,920,755	215,629	-	5,136,384
Governmental activities capital assets, net	$ 5,145,733	$ 315,825	$ -	$ 5,461,558
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 19,600			$ 19,600
Construction in progress	61,430	$ 5,040	$ (66,470)	-
Total capital assets, not being depreciated	81,030	5,040	(66,470)	19,600
Capital assets, being depreciated:				
Machinery and equipment	150,596	2,889		153,485
Transportation equipment	59,116			59,116
Water system	5,876,805	66,470		5,943,275
Total capital assets, being depreciated	6,086,517	69,359	-	6,155,876
Less, accumulated depreciation for:				
Machinery and equipment	(84,879)	(10,582)		(95,461)
Transportation equipment	(49,885)	(5,377)		(55,262)
Water system	(2,553,696)	(148,344)		(2,702,040)
Total accumulated depreciation	(2,688,460)	(164,303)	-	(2,852,763)
Total capital assets, being depreciated, net	3,398,057	(94,944)	-	3,303,113
Business-type activities capital assets, net	$ 3,479,087	$ (89,904)	$ (66,470)	$ 3,322,713

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

Governmental activities:	
General government	$ 58,433
Judicial system	5,409
Public safety	181,511
Public works	101,638
Health and welfare	61,728
Culture and recreation	29,668
Planning and community development	1,120
Total depreciation expense - governmental activities	$ 439,507
Business-type activities:	
Water system	$ 164,303

Discretely Presented Component Units

The Development Authority of Talbot County's capital asset activity for the year ended June 30, 2012 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	(29,424)	(3,056)		(32,480)
Furniture and equipment	(1,442)			(1,442)
Total accumulated depreciation	(30,866)	(3,056)	-	(33,922)
Total capital assets being depreciated, net	62,241	(3,056)	-	59,185
Development Authority of Talbot County capital assets, net	$ 179,577	$ (3,056)	$ -	$ 176,521

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, 2012 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	(5,203)			(5,203)
Department of Public Health capital assets, net	$ -	$ -	$ -	$ -

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

Health	$ 0

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%	$ 89,000
Improvements and additions to water system - Water System Fund	5.250%	769,032
Improvements and additions to water system - Water System Fund	5.125%	267,894
Water revenue refunding and improvements - Water System Fund	5.000%	760,404
		$ 1,886,330

Revenue bonds debt service requirements to maturity are as follows:

	Business-Type Activities	
	Principal	Interest
Year ending June 30:		
2013	$ 48,318	$ 95,764
2014	51,393	93,239
2015	53,578	90,554
2016	56,643	87,989
2017	59,287	84,795
2018-2022	320,238	374,822
2023-2027	365,053	288,106
2028-2032	472,119	181,041
2033-2037	297,893	69,726
2038-2041	161,808	15,059
	$ 1,886,330	$ 1,381,095

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	(210,976)	(14,047)
	$ 265,004	$ 51,500

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are being repaid through the General Fund and were as follows:

	Governmental Activities	Water Fund
Year ending June 30:		
2013	$ 46,720	$ 7,162
2014	46,719	7,162
2015	164,218	7,162
2016		40,162
Total minimum lease payments	257,657	61,648
Less, amount representing interest	(21,362)	(6,675)
Present value of minimum lease payments	$ 236,295	$ 54,973

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, 2012 $1,102,895 had been issued.

Purpose	Interest Rate	Amount
Renovations of courthouse	4.125%	$ 1,069,489

Loans payable debt service requirements to maturity are as follows:

	Governmental Activities	
	Principal	Interest
Year ending June 30:		
2013	$ 21,088	$ 43,857
2014	21,958	42,987
2015	22,864	42,081
2016	23,807	41,138
2017	24,789	40,156
2018-2022	140,155	184,570
2023-2027	171,547	153,178
2028-2032	209,970	114,755
2033-2037	257,000	67,725
2038-2040	176,311	18,524
	$ 1,069,489	$ 748,971

D. Intergovernmental Contract

Primary Government

The County entered into an intergovernmental contract with the Middle Flint Regional E9-1-1 Authority ("the Authority") to pay the County's required equity share to the Authority. The joint venture with the Authority is discussed in Note 14. The original amount of the intergovernmental contract is $110,751 and it is being repaid through the General Fund. The balance outstanding at June 30, 2012 was $104,579 at 3% interest.

Annual debt service requirements to maturity for the intergovernmental contract are as follows:

	Governmental Activities	
	Principal	Interest
Year ending June 30:		
2013	$ 12,624	$ 2,965
2014	13,008	2,581
2015	13,404	2,185
2016	13,811	1,777
2017	14,231	1,357
2018-2020	37,501	1,470
	$ 104,579	$ 12,335

E. 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, 2012. 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.

F. Changes in Long-Term Liabilities

Primary Government

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Governmental activities:					
Capital leases	$ 288,426		$ (52,131)	$ 236,295	$ 37,494
Note payable	1,078,411	$ 5,162	(14,084)	1,069,489	21,088
Intergovernmental contract		110,751	(6,172)	104,579	12,624
Accrued compensated absences	35,112	28,887	(35,112)	28,887	28,887
Landfill postclosure costs	720,270		(20,180)	700,090	21,958
Governmental activity long-term liabilities	$2,122,219	$ 144,800	$(127,679)	$2,139,340	$ 122,051
Business-type activities:					
Capital leases	$ 60,204		$ (5,231)	$ 54,973	$ 5,235
Revenue bonds payable	1,932,433		(46,103)	1,886,330	48,318
Less, deferred amounts:					
Issuance discounts	(22,072)		984	(21,088)	
Business-type activity long-term liabilities	$ 1,970,565	$ -	$ (50,350)	$1,920,215	$ 53,553

Discretely Presented Component Units

Long-term liability activity for the year ended June 30, 2012 for the Talbot County Department of Public Health was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Compensated absences	$ 8,437	$ 12,790	$ (4,364)	$ 16,863	$ 4,364

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances due to/from other funds as of June 30, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	SPLOST	$ 8,228
Nonmajor governmental funds	General fund	1,288
		$ 9,516

These balances represent temporary loans between funds.

Interfund transfers for the year ended June 30, 2012 consist of the following:

	Transfer In
Transfer Out	Water Fund
General Fund	$ 562

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, 2012 was $97,211. Total payroll for the year ended June 30, 2012 was $2,360,410.

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, 2012, 100% of the landfill capacity had been used and the landfill has no remaining life. The $700,090 reported in the governmental activities long-term liabilities on the government-wide financials as landfill postclosure costs at June 30, 2012 represents the unpaid closure and postclosure costs based upon the most current estimate available, and there is no unrecognized liability at June 30, 2012. 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, 2012 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. FUND BALANCES/ NET ASSETS

All funds operated by the County had positive fund balances and net assets balances at June 30, 2012.

Both discretely presented component units of the County also had positive fund balances and net assets balances at June 30, 2012.

12. 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.

13. JOINT VENTURES

River Valley Regional Commission – 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, 2012, the County paid $5,205 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

Middle Flint Regional E9-1-1 Authority – Pursuant to the authority granted in OCGA Section 46-5-120 et. Seq., Talbot County is a "Participating County", together with Dooly, Macon, Marion, Schley, Sumter, Taylor, and Webster Counties, in the Middle Flint Regional E9-1-1 Authority (the "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 receives telephone calls relating to public safety and it provides emergency call answering services and dispatching. Funding for the E-911 Center is derived from a surcharge added to telephone subscribers in the eight Participating Counties. Operating costs not covered by the surcharge are paid by the Participating Counties on a pro-rata share determined by the revenue collections in each county. Talbot County contributed $6,840 to the Authority during the twelve months ended June 30, 2012. Financial statements for the Middle Flint Regional E9-1-1 Authority can be obtained from:

Middle Flint Regional E9-1-1 Authority
222 Hayes Avenue
Ellaville, Georgia 31806

14. 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, 2012

	Special Revenue Funds			Capital Projects Funds	
	Law Library	E911	Grant Fund	Jail	Total Nonmajor Governmental Funds
Assets					
Cash	$ 10,619	$ 114,284	$ 2,351	$ 123,145	$ 250,399
Grant receivable			37,809		37,809
Due from other funds				1,288	1,288
Total assets	$ 10,619	$ 114,284	$ 40,160	$ 124,433	$ 289,496
Liabilities					
Accounts payable		$ 14,280	$ 37,809		$ 52,089
Deferred revenue		89,157			89,157
Total liabilities		103,437	37,809		141,246
Fund Balances					
Restricted for:					
Law library	$ 10,619				10,619
E911		10,847			10,847
Public works			2,351		2,351
Capital projects				$ 124,433	124,433
Total fund balances	10,619	10,847	2,351	124,433	148,250
Total liabilities and fund balances	$ 10,619	$ 114,284	$ 40,160	$ 124,433	$ 289,496

TALBOT COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue Funds			Capital Projects Funds	
	Law Library	E911	Grant Fund	Jail	Total Nonmajor Governmental Funds
Revenues:					
Fine, forfeitures and court fees	$ 2,764			$ 13,731	$ 16,495
Grants and subsidies		$ 54,478	$ 109,099		163,577
Interest		174		171	345
Total revenues	2,764	54,652	109,099	13,902	180,417
Expenditures:					
Current:					
Judicial system	348				348
Planning and community development			61,178		61,178
Public works			47,415		47,415
Capital outlay:					
Public safety		54,478			54,478
Total expenditures	348	54,478	108,593	-	163,419
Excess (deficiency) of revenues over (under) expenditures	2,416	174	506	13,902	16,998
Net change in fund balances	2,416	174	506	13,902	16,998
Fund balances at beginning of year	8,203	10,673	1,845	110,531	131,252
Fund balances at end of year	$ 10,619	$ 10,847	$ 2,351	$ 124,433	$ 148,250

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - LAW LIBRARY
Year Ended June 30, 2012

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Fines, forfeitures and court fees	$ 2,764	$ 2,764	
Total revenues	2,764	2,764	$ -
Expenditures:			
Current:			
Judicial system - Law library	2,764	348	2,416
Total expenditures	2,764	348	2,416
Excess (deficiency) of revenues over (under) expenditures	-	2,416	2,416
Net change in fund balances	-	2,416	2,416
Fund balances at beginning of year	8,203	8,203	-
Fund balances at end of year	$ 8,203	$ 10,619	$ 2,416

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - E911
Year Ended June 30, 2012

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Grants and subsidies	$ 54,478	$ 54,478	
Interest	174	174	
Total revenues	54,652	54,652	$ -
Expenditures:			
Capital outlay:			
Public safety - E911	54,652	54,478	174
Total expenditures	54,652	54,478	174
Excess (deficiency) of revenues over (under) expenditures	-	174	174
Net change in fund balances	-	174	174
Fund balances at beginning of year	10,673	10,673	-
Fund balances at end of year	$ 10,673	$ 10,847	$ 174

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - GRANT FUND
Year Ended June 30, 2012

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Grants and subsidies	$ 109,099	$ 109,099	
Total revenues	109,099	109,099	$ -
Expenditures:			
Current:			
Planning and community development	61,178	61,178	
Public works	47,921	47,415	506
Total expenditures	109,099	108,593	506
Excess (deficiency) of revenues over (under) expenditures	-	506	506
Net change in fund balances	-	506	506
Fund balances at beginning of year	1,845	1,845	-
Fund balances at end of year	$ 1,845	$ 2,351	$ 506

TALBOT COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
TAX COMMISSIONER				
ASSETS				
Cash	$ 96,263	$ 7,401,447	$ 7,408,639	$ 89,071
Receivables, taxes	16,121	17,565	16,121	17,565
Total assets	$ 112,384	$ 7,419,012	$ 7,424,760	$ 106,636
LIABILITIES				
Due to others	$ 112,384	$ 106,636	$ 112,384	$ 106,636
Total liabilities	$ 112,384	$ 106,636	$ 112,384	$ 106,636
CLERK SUPERIOR COURT				
ASSETS				
Cash	$ 76,540	$ 147,922	$ 140,991	$ 83,471
LIABILITIES				
Due to others	$ 76,540	$ 83,471	$ 76,540	$ 83,471
PROBATE COURT				
ASSETS				
Cash	$ 6,673	$ 206,021	$ 204,877	$ 7,817
LIABILITIES				
Due to others	$ 6,673	$ 7,817	$ 6,673	$ 7,817
MAGISTRATE COURT				
ASSETS				
Cash	$ 596	$ 26,528	$ 26,577	$ 547
LIABILITIES				
Due to others	$ 596	$ 547	$ 596	$ 547
SHERIFF				
ASSETS				
Cash	$ -	$ 9,627	$ 9,627	$ -
LIABILITIES				
Due to others	$ -	$ -	$ -	$ -

TALBOT COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
Year Ended June 30, 2012

Project	Estimated Percent of Completion	Estimated Project Amount	Amount Expended Prior Years	Amount Expended Current Year
Resolution #072498:				
Recreational facilities and equipment	94%	$ 500,000	$ 448,763	$ 18,795
Public safety facilities and equipment	106%	500,000	528,803	-
Roads, streets and bridge purposes	105%	1,000,000	1,048,606	-
Resolution #070102:				
Recreational facilities and equipment	15%	$ 2,000,000	$ 261,571	$ 38,276
Public safety facilities	27%	2,000,000	476,628	10,964
Roads, streets and bridge purposes	28%	3,500,000	962,841	44,551
Courthouse	27%	1,500,000	404,784	-
County Commissioners annex	20%	1,000,000	190,156	7,943
Resolution #070107:				
Roads, streets and bridge purposes	21%	$ 1,200,000	$ 152,961	$ 102,130
Public safety facilities	18%	400,000	35,977	35,538
Recreational facilities and equipment	23%	400,000	6,181	13,941
Courthouse	75%	1,600,000	1,104,163	876
Town of Geneva	47%	100,000	31,127	16,297
Town of Junction City	47%	100,000	31,128	16,297
City of Talbotton	47%	100,000	31,126	16,298
City of Woodland	47%	100,000	31,126	16,298

TALBOT COUNTY, GEORGIA
SOURCE AND APPLICATION OF FUNDS STATUS REPORT
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2012

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

Total grant	$	800,000
Less, total funds drawn down by recipient for the year ended:		
June 30, 2012		(92,198)
June 30, 2011		(473,484)
June 30, 2010		(8,400)
Program funds available for future draw down	$	225,918
Total program funds drawn down by recipient for the year ended June 30, 2012	$	92,198
Add, program income applicable to the year ended June 30, 2012		-
Total program funds drawn by recipient and program income for the year ended June 30, 2012	$	92,198

CDBG 11b-y-130-1-5346:

Total grant	$	800,000
Less, total funds drawn down by recipient for the year ended:		
June 30, 2012		(16,901)
Program funds available for future draw down	$	783,099
Total program funds drawn down by recipient for the year ended June 30, 2012	$	16,901
Add, program income applicable to the year ended June 30, 2012		-
Total program funds drawn by recipient and program income for the year ended June 30, 2012	$	16,901

TALBOT COUNTY, GEORGIA
PROJECT COST SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2012

Activity	Budgeted Expenditures	Actual Expenditures: Year Ended June 30, 2012	Actual Expenditures: Prior Years	Questioned Cost
CDBG 09b-y-130-1-5178:				
C-022-00	$ 44,110			
P-03K-02	350,625	$ 32,389	$ 289,424	None
T-03K-02	1,357		1,357	None
H-14A-01	83,595	32,077	2,055	None
H-14A-02	201,373	4,260	92,230	None
A-21A-00	56,000	17,880	38,120	None
P-03K-01	62,940	6,086	56,854	None
	$ 800,000	$ 92,692	$ 480,040	
CDBG 11b-y-130-1-5346:				
C-022-00	$ 26,940			
P-03K-02	399,797			
H-14A-01	197,104	$ 1,681		None
H-14A-02	120,159			
A-21A-00	56,000	14,220		None
	$ 800,000	$ 15,901	$ -	

AJ&K

Abbott, Jordan & Koon, LLC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 609 □ 405 Second Street □ Manchester, GA 31816
(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, 2012, which collectively comprise Talbot County, Georgia's basic financial statements and have issued our report thereon dated December 7, 2012. 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 11% and 89%, 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

Management of Talbot County, Georgia is responsible for establishing and maintaining effective 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 audit findings and responses that we consider to be significant deficiencies in internal control over financial reporting noted as items 12-1 and 12-2. 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,* and which are described in the accompanying schedule of audit findings and responses as items 12-3 and 12-4.

We noted certain matters that we reported to management of Talbot County, Georgia, in a separate letter dated December 7, 2012

Talbot County, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of audit findings and responses. 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, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

AJK LLC

Manchester, Georgia
December 7, 2012

TALBOT COUNTY, GEORGIA
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2012

SIGNIFICANT DEFICIENCIES

12-1 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.

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.

Response: We continue to require dual signatures and review income and expenses regularly. Monitoring areas for increased segregation is an on-going process.

12-2 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

12-3 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, 2012, 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.

12-4 Unpaid Loan Payment

Condition and Criteria:	The County had an annual payment of principal and interest due on a note payable on June 3, 2012. This payment wasn't remitted until August 7, 2012.
Effect:	The failure to make timely debt service payments could result in the note being immediately due and payable.
Recommendation:	The County should ensure the annual payment is remitted each year by the due date.
Response:	The County is in the process of setting up an automatic draft with the bank for the annual payment.