TALBOT COUNTY, GEORGIA

FINANCIAL STATEMENTS

Year Ended June 30, 2013

AJK

TALBOT COUNTY, GEORGIA
FINANCIAL STATEMENTS
Year Ended June 30, 2013

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Talbot County
Talbotton, Georgia 31827

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Talbot County, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of Talbot County Department of Public Health which is a component unit and 14 percent, 12 percent, and 90 percent, respectively of the assets, net position and revenues of the component units.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Talbot County Department of Public Health, which represent 14 percent, 12 percent, and 90 percent, respectively, of the assets, net position, and revenues of the component units. Those 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 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit 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, the aggregate remaining fund information and the respective budgetary comparison for the General Fund, of Talbot County, Georgia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note1 Part K to the financial statements, in 2013 the County adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 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.

Other Information

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

The combining, individual nonmajor fund financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining, individual nonmajor fund financial statements and other supplemental information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of Talbot County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Talbot County, Georgia's internal control over financial reporting and compliance.

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Manchester, Georgia
December 19, 2013

TALBOT COUNTY, GEORGIA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Development Authority	Department of Public Health
Assets					
Cash	$ 5,181,513	$ 162,751	$ 5,344,264	$ 360,883	$ 86,237
Receivables (net of allowance for doubtful accounts, where applicable):					
Taxes	309,376		309,376		
Accounts	90,243	95,711	185,954		
Other	265,830		265,830		
Inventory		7,134	7,134		
Prepaid items	32,660	3,240	35,900		
Restricted cash		171,086	171,086		
Capital assets not being depreciated	275,681	19,600	295,281	117,336	
Capital assets being depreciated, net of accumulated depreciation	5,226,882	3,189,100	8,415,982	56,129	
Total assets	11,382,185	3,648,622	15,030,807	534,348	86,237
Liabilities					
Accounts payable	144,140	19,497	163,637	6,328	
Accrued liabilities	16,763	9,492	26,255		
Customer deposits		103,596	103,596		
Unearned revenue	89,157		89,157		
Long-term liabilities:					
Due within one year	202,150	56,812	258,962		4,366
Due in more than one year	1,324,487	1,810,832	3,135,319		12,312
Total liabilities	1,776,697	2,000,229	3,776,926	6,328	16,678
Net Position					
Net invested in capital assets	4,799,760	1,341,056	6,140,816	173,465	
Restricted:					
Capital projects	1,173,743		1,173,743		
Public safety	177,609		177,609		
Public works	223,725		223,725		
Judicial	11,592		11,592		
Prior year program income					16,767
Unrestricted	3,219,059	307,337	3,526,396	354,555	52,792
Total net position	$ 9,605,488	$ 1,648,393	$ 11,253,881	$ 528,020	$ 69,559

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

TALBOT COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

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 Position: 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	$ 1,486,123	$ 36,708	$ 95,671		$ (1,353,744)		$ (1,353,744)		
Judicial system	428,629		19,064		(409,565)		(409,565)		
Public safety	1,716,197	490,646	123,051	$ 31,702	(1,070,798)		(1,070,798)		
Public works	1,348,201	310,553		232,512	(805,136)		(805,136)		
Health and welfare	701,128	210,638	212,525		(277,965)		(277,965)		
Culture and recreation	188,491	800			(187,691)		(187,691)		
Planning and community development	148,033		36,529		(111,504)		(111,504)		
Interest on long-term debt	50,242				(50,242)		(50,242)		
Total governmental activities	6,067,044	1,049,345	486,840	264,214	(4,266,645)		(4,266,645)		
Business-type activities:									
Water system	766,834	666,134				$ (100,700)	(100,700)		
Total business-type activities	766,834	666,134	-	-	-	(100,700)	(100,700)		
Total primary government	$ 6,833,878	$ 1,715,479	$ 486,840	$ 264,214	(4,266,645)	(100,700)	(4,367,345)		
Component units:									
Development Authority	$ 31,244	$ 20,000						$ (11,244)	
Department of Public Health	165,030	31,633	$ 153,015						$ 19,618
Total component units	$ 196,274	$ 51,633	$ 153,015	$ -				(11,244)	19,618
General revenues:									
Taxes:									
Property					3,223,802		3,223,802		
Sales					967,833		967,833		
Insurance premiums					227,576		227,576		
Motor vehicle and mobile home					284,431		284,431		
Alcoholic beverage					43,554		43,554		
Other					162,532		162,532		
Miscellaneous revenue					35,010		35,010		
Interest revenue					7,884	267	8,151	696	
Total general revenues					4,952,622	267	4,952,889	696	-
Change in net position					685,977	(100,433)	585,544	(10,548)	19,618
Net position at beginning of year					8,919,511	1,748,826	10,668,337	538,568	49,941
Net position at end of year					$ 9,605,488	$ 1,648,393	$ 11,253,881	$ 528,020	$ 69,559

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

TALBOT COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

Assets	Major Governmental Fund Types: General	Major Governmental Fund Types: SPLOST	Nonmajor Governmental Fund Types: Other Governmental Funds	Total Governmental Funds
Cash	$ 3,619,333	$ 1,098,596	$ 463,584	$ 5,181,513
Receivables (net where applicable of allowances for uncollectibles):				
Taxes	270,877		38,499	309,376
Accounts	90,243			90,243
Other	120,879	75,147	69,804	265,830
Prepaid expenditures	32,660			32,660
Total assets	$ 4,133,992	$ 1,173,743	$ 571,887	$ 5,879,622
Liabilities				
Accounts payable - Trade	$ 74,336		$ 69,804	$ 144,140
Accrued liabilities	16,763			16,763
Unearned revenue			89,157	89,157
Total liabilities	91,099	$ -	158,961	250,060
Deferred inflows of resources				
Unavailable revenue - property taxes	205,692			205,692
Total deferred inflows of resources	205,692	-	-	205,692
Fund balances				
Fund balances:				
Nonspendable - prepaid items	32,660			32,660
Restricted for:				
Capital projects		1,173,743		1,173,743
Public safety			177,609	177,609
Public works			223,725	223,725
Judicial			11,592	11,592
Unassigned	3,804,541			3,804,541
Total fund balances	3,837,201	1,173,743	412,926	5,423,870
Total liabilities and fund balances	$ 4,133,992	$ 1,173,743	$ 571,887	$ 5,879,622

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 POSITION OF GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET POSITION
June 30, 2013

Fund balances - Total governmental funds		$ 5,423,870
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds:		
Add, capital assets		9,012,338
Deduct, accumulated depreciation		(3,509,775)
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 position. Balances at June 30, 2013 are:		
Capital leases	$ (258,484)	
Compensated absences	(46,614)	
Landfill post-closure costs	(685,265)	
Note payable	(444,319)	
Intergovernmental contract	(91,955)	
Total long-term liabilities		(1,526,637)
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 unavailable 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 unavailable revenues:		
Unavailable property taxes arising from ability to collect after 60 days from year end		205,692
Net position of governmental activities		$ 9,605,488

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, 2013

	Major Governmental Fund Types		Nonmajor Governmental Fund Types	
	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	$ 3,177,300			$ 3,177,300
Sales	289,340	$ 453,271	$ 223,773	966,384
Insurance premium	227,576			227,576
Motor vehicle and mobile home	284,431			284,431
Alcoholic beverage	43,554			43,554
Other	162,532			162,532
Licenses and permits	36,708			36,708
Charges for services	805,684			805,684
Fines, forfeitures and court fees	185,848		21,105	206,953
Grants and subsidies	582,556		147,206	729,762
Interest revenue	7,624	1,449	260	9,333
Other revenue	42,783			42,783
Total revenues	5,845,936	454,720	392,344	6,693,000
Expenditures:				
Current:				
General government	1,400,871			1,400,871
Judicial system	421,468		1,609	423,077
Public safety	1,458,866		23,052	1,481,918
Public works	1,111,570		80,059	1,191,629
Health and welfare	643,646			643,646
Culture and recreation	157,656			157,656
Planning and community development	110,572		36,529	147,101
Intergovernmental support		47,850		47,850
Debt service:				
Principal payments	80,460	628,275		708,735
Interest payments	13,572	36,670		50,242
Capital outlay:				
General government	38,264	4,698		42,962
Public safety	105,450	11,797	12,780	130,027
Public works		225,235		225,235
Planning and community development	4,970			4,970
Culture and recreation		129,619		129,619
Total expenditures	5,547,365	1,084,144	154,029	6,785,538
Excess (deficiency) of revenues over (under) expenditures	298,571	(629,424)	238,315	(92,538)
Other financing sources (uses):				
Debt proceeds	78,305			78,305
Transfers in	3,845		30,206	34,051
Transfers out	(30,206)		(3,845)	(34,051)
Total other financing sources (uses)	51,944	-	26,361	78,305
Net change in fund balances	350,515	(629,424)	264,676	(14,233)
Fund balances at beginning of year, restated	3,486,686	1,803,167	148,250	5,438,103
Fund balances at end of year	$ 3,837,201	$ 1,173,743	$ 412,926	$ 5,423,870

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, 2013

Net changes in fund balances - Total governmental funds	$ (14,233)
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 ($530,038) exceeded depreciation ($458,619) in the current period.	71,419
The net effect of various transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.	(30,414)
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.	630,430
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	(17,727)
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, unavailable revenue amounts are reversed on the Statement of Net Position and recognized as current period revenue on the Statement of Activities:	
Net decrease in unavailable revenue from June 30, 2012 ($159,190) to June 30, 2013 ($205,692)	46,502
Change in net position of governmental activities	$ 685,977

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, 2013

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget
Revenues:				
Taxes:				
Property	$ 3,226,999	$ 3,226,999	$ 3,177,300	$ (49,699)
Sales	350,000	350,000	289,340	(60,660)
Insurance premium	222,168	222,168	227,576	5,408
Motor vehicle and mobile home	234,432	234,432	284,431	49,999
Alcoholic beverage	35,727	35,727	43,554	7,827
Other	87,476	87,476	162,532	75,056
Licenses and permits	36,384	36,384	36,708	324
Charges for services	847,548	847,548	805,684	(41,864)
Fines, forfeitures and court fees	229,091	229,091	185,848	(43,243)
Grants and subsidies	476,538	476,538	582,556	106,018
Interest revenue	8,800	8,800	7,624	(1,176)
Other revenue	52,766	52,766	42,783	(9,983)
Total revenues	5,807,929	5,807,929	5,845,936	38,007
Expenditures:				
Current:				
General government:				
General administration	1,221,539	371,447	364,268	7,179
County commissioners	246,941	312,602	300,472	12,130
Tax commissioners	216,624	265,592	254,813	10,779
Tax assessors	173,587	208,935	185,639	23,296
Elections	220,595	210,068	149,075	60,993
Public buildings	124,770	154,770	146,604	8,166
Total general government	2,204,056	1,523,414	1,400,871	122,543
Judicial system:				
Probate court	131,530	158,470	153,405	5,065
Clerk of superior court	122,196	158,773	157,474	1,299
Magistrate	20,422	20,994	18,295	2,699
Other court services	103,307	103,307	92,294	11,013
Total judicial system	377,455	441,544	421,468	20,076
Public safety:				
Ambulance service	403,946	503,028	422,716	80,312
Coroner	16,900	20,810	17,342	3,468
Fire	90,502	90,557	51,199	39,358
Animal control	33,322	43,663	39,015	4,648
Sheriff and jail	740,877	897,678	897,678	-
EMA services	87,665	68,699	8,329	60,370
Regional E-911	38,955	22,587	22,587	-
Total public safety	1,412,167	1,647,022	1,458,866	188,156

Continued.....

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013
(Continued)

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget
Public works:				
Landfill	346,348	349,978	349,978	
Public works	743,595	859,787	761,592	98,195
Total public works	1,089,943	1,209,765	1,111,570	98,195
Health and welfare:				
Transit	316,660	374,092	354,066	20,026
Nutrition	180,659	212,389	208,622	3,767
Health appropriations	85,909	85,909	80,958	4,951
Total health and welfare	583,228	672,390	643,646	28,744
Culture and recreation:				
Parks	114,888	139,637	126,163	13,474
Library	31,724	31,724	31,493	231
Total culture and recreation	146,612	171,361	157,656	13,705
Planning and community development:				
County agent	44,115	45,770	40,310	5,460
Building and zoning	54,090	54,387	49,141	5,246
Planning and community development appropriations	21,121	21,121	21,121	
Total planning and community development	119,326	121,278	110,572	10,706
Debt service:				
Principal	116,042	116,042	80,460	35,582
Interest	29,010	29,554	13,572	15,982
Total debt service	145,052	145,596	94,032	51,564
Capital outlay:				
Judicial	2,000			
General government	17,000	54,049	38,264	15,785
Public safety		105,450	105,450	
Health and welfare	5,390	5,390		5,390
Planning and community development		4,970	4,970	
Total capital outlay	24,390	169,859	148,684	21,175
Total expenditures	6,102,229	6,102,229	5,547,365	554,864
Excess (deficiency) of revenues over (under) expenditures	(294,300)	(294,300)	298,571	592,871
Other financing sources (uses):				
Debt proceeds			78,305	78,305
Transfers in			3,845	3,845
Transfers out			(30,206)	(30,206)
Total other financing sources (uses)	-	-	51,944	51,944
Net change in fund balances	(294,300)	(294,300)	350,515	644,815
Fund balances at beginning of year, restated	3,486,686	3,486,686	3,486,686	-
Fund balances at end of year	$ 3,192,386	$ 3,192,386	$ 3,837,201	$ 644,815

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

TALBOT COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities Major Fund Type Water System
Assets	
Current assets:	
Cash	$ 162,751
Accounts receivable (net of allowance for uncollectible)	95,711
Inventory	7,134
Restricted cash	171,086
Prepaid expenses	3,240
Total current assets	439,922
Noncurrent assets:	
Capital assets not being depreciated	19,600
Capital assets being depreciated, net of accumulated depreciation	3,189,100
Total noncurrent assets	3,208,700
Total assets	3,648,622
Liabilities	
Current liabilities:	
Accounts payable	19,497
Customer deposits	103,596
Accrued interest	9,492
Revenue bonds, current portion	51,393
Capital leases payable, current portion	5,419
Total current liabilities	189,397
Noncurrent liabilities:	
Revenue bonds payable	1,766,513
Capital leases payable	44,319
Total noncurrent liabilities	1,810,832
Total liabilities	2,000,229
Net Position	
Net invested in capital assets	1,341,056
Unrestricted	307,337
Total net position	$ 1,648,393

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

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities Major Fund Types Water System
Operating revenues:	
Charges for services	$ 625,503
Penalties	29,930
Miscellaneous	10,701
Total operating revenue	666,134
Operating expenses:	
Salaries and benefits	177,895
Water purchases	163,363
Services and supplies	80,407
Depreciation and amortization	168,172
Other operating	79,730
Total operating expenses	669,567
Operating income (loss)	(3,433)
Nonoperating revenues (expenses):	
Interest income	267
Interest expense	(97,267)
Total nonoperating revenues (expenses)	(97,000)
Change in net position	(100,433)
Net position, at beginning of year	1,748,826
Net position, at end of year	$ 1,648,393

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

TALBOT COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities Major Fund Types Water System
Cash flows from operating activities:	
Receipts from customers	$ 693,969
Receipt of customer deposits	6,964
Payments to employees	(177,895)
Payments to vendors	(334,103)
Net cash provided by operating activities	188,935
Cash flows from capital and related financing activities:	
Purchase of capital assets	(53,177)
Principal paid on capital debt	(53,553)
Interest paid on capital debt	(97,690)
Net cash used by capital and related financing activities	(204,420)
Cash flows from investing activities:	
Interest income	267
Net cash provided by investing activities	267
Net increase (decrease) in cash	(15,218)
Cash at beginning of year	349,055
Cash at end of year	$ 333,837
Reported on balance sheet as:	
Cash	$ 162,751
Restricted cash	171,086
Total cash per balance sheet	$ 333,837
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	$ (3,433)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	168,172
(Increase) decrease in:	
Accounts receivable	27,835
Inventories	(903)
Prepaid expenses	(3,240)
Increase (decrease) in:	
Customer deposits	6,964
Accounts payable	(6,460)
Net cash provided by operating activities	$ 188,935

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

TALBOT COUNTY, GEORGIA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2013

	Agency Funds
Assets	
Cash	$ 192,285
Taxes receivable	2,381
Total assets	$ 194,666
Liabilities	
Due to others	$ 194,666
Total liabilities	$ 194,666

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Talbot County, Georgia (the County) was incorporated December 14, 1827. The County operates under a board of five commissioners and provides the following services in addition to general government responsibilities: judicial, public safety, public works, health and welfare, culture and recreation, planning and community development, and water services.

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.

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 position and the statement of changes in net position) 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.

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 2013 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 position is reported in three parts - 1) net invested in capital assets 2) restricted; and 3) unrestricted. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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 manager 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, 2013, 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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the County has no items that qualify for reporting as a deferred outflow of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. 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.

M. 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 position. 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.

N. 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.

O. Reclassifications

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

P. 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.

Q. Subsequent Events

Subsequent events have been evaluated by management through December 19, 2013, 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 $5,707,585 and the bank balance was $5,876,544. Of the bank balance, $1,030,734 was covered by federal depository insurance and $4,845,810 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 $360,883 and the bank balance was $360,883. Of the bank balance, $250,000 was covered by federal depository insurance and $110,883 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, 2013, 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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 275,681			$ 275,681
Construction in progress	49,493	$ 71,728	$ 121,221	-
Total capital assets, not being depreciated	325,174	71,728	121,221	275,681
Capital assets, being depreciated:				
Buildings and structures	4,225,482	100,706		4,326,188
Improvements	449,352	69,858		519,210
Machinery and equipment	3,954,621	205,024	793,127	3,366,518
Infrastructure	299,506	225,235		524,741
Total capital assets, being depreciated	8,928,961	600,823	793,127	8,736,657
Less, accumulated depreciation for:				
Buildings and structures	(930,709)	(110,510)		(1,041,219)
Improvements	(99,496)	(21,839)		(121,335)
Machinery and equipment	(2,757,369)	(315,518)	741,421	(2,331,466)
Infrastructure	(5,003)	(10,752)		(15,755)
Total accumulated depreciation	(3,792,577)	(458,619)	741,421	(3,509,775)
Total capital assets, being depreciated, net	5,136,384	142,204	51,706	5,226,882
Governmental activities capital assets, net	$ 5,461,558	$ 213,932	$ 172,927	$ 5,502,563
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 19,600			$ 19,600
Total capital assets, not being depreciated	19,600	$ -	$ -	19,600

Capital assets, being depreciated:				
Machinery and equipment	153,485	18,109		171,594
Transportation equipment	59,116	28,999		88,115
Water system	5,943,275	6,069		5,949,344
Total capital assets, being depreciated	6,155,876	53,177	-	6,209,053
Less, accumulated depreciation for:				
Machinery and equipment	(95,461)	(12,802)		(108,263)
Transportation equipment	(55,262)	(5,779)		(61,041)
Water system	(2,702,040)	(148,609)		(2,850,649)
Total accumulated depreciation	(2,852,763)	(167,190)	-	(3,019,953)
Total capital assets, being depreciated, net	3,303,113	(114,013)	-	3,189,100
Business-type activities capital assets, net	$ 3,322,713	$ (114,013)	$ -	$3,208,700

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

Governmental activities:	
General government	$ 67,525
Judicial system	5,277
Public safety	187,972
Public works	108,722
Health and welfare	57,356
Culture and recreation	30,835
Planning and community development	932
Total depreciation expense - governmental activities	$ 458,619
Business-type activities:	
Water system	$ 167,190

Discretely Presented Component Units

The Development Authority of Talbot County's capital asset activity for the year ended June 30, 2013 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	(32,480)	(3,056)		(35,536)
Furniture and equipment	(1,442)			(1,442)
Total accumulated depreciation	(33,922)	(3,056)	-	(36,978)
Total capital assets being depreciated, net	59,185	(3,056)	-	56,129
Development Authority of Talbot County capital assets, net	$ 176,521	$ (3,056)	$ -	$ 173,465

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, 2013 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%	$ 80,000
Improvements and additions to water system - Water System Fund	5.250%	749,101
Improvements and additions to water system - Water System Fund	5.125%	260,849
Water revenue refunding and improvements - Water System Fund	5.000%	748,062
		$ 1,838,012

Revenue bonds debt service requirements to maturity are as follows:

	Business-Type Activities	
	Principal	Interest
Year ending June 30:		
2014	$ 51,393	$ 93,239
2015	53,578	90,554
2016	56,643	87,989
2017	59,287	84,795
2018	62,835	81,697
2019-2023	323,136	358,024
2024-2028	384,202	268,958
2029-2033	497,170	155,990
2034-2038	230,992	56,155
2039-2041	118,776	7,930
	$ 1,838,012	$ 1,285,331

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	$ 473,408	$ 65,547
Less, accumulated depreciation	(203,227)	(23,414)
	$ 270,181	$ 42,133

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, are being repaid through the General Fund and Water Fund, respectfully and were as follows:

	Governmental Activities	Water Fund
Year ending June 30:		
2014	$ 73,074	$ 7,162
2015	190,573	7,162
2016	8,785	40,162
Total minimum lease payments	272,432	54,486
Less, amount representing interest	(13,948)	(4,748)
Present value of minimum lease payments	$ 258,484	$ 49,738

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, 2013 $1,106,000 had been issued. This note is being paid by the SPLOST fund.

Purpose	Interest Rate	Amount
Renovations of courthouse	4.125%	$ 444,319

Loans payable debt service requirements to maturity are as follows:

	Governmental Activities	
	Principal	Interest
Year ending June 30:		
2014	$ 46,617	$ 18,328
2015	48,540	16,405
2016	50,542	14,403
2017	52,627	12,318
2018	54,798	10,147
2019-2022	191,195	16,502
	$ 444,319	$ 88,103

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 13. 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, 2013 was $91,955 at 3% interest.

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

	Governmental Activities	
	Principal	Interest
Year ending June 30:		
2014	$ 13,008	$ 2,581
2015	13,404	2,185
2016	13,811	1,777
2017	14,231	1,357
2018	14,664	924
2019-2020	22,837	546
	$ 91,955	$ 9,370

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, 2013. 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, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Governmental activities:					
Capital leases	$ 236,295	$ 75,200	$ (53,011)	$ 258,484	$ 73,074
Note payable	1,069,489	3,105	(628,275)	444,319	46,617
Intergovernmental contract	104,579		(12,624)	91,955	13,008
Accrued compensated absences	28,887	46,614	(28,887)	46,614	46,614
Landfill postclosure costs	700,090		(14,825)	685,265	22,837
Governmental activity long-term liabilities	$2,139,340	$ 124,919	$(737,622)	$1,526,637	$ 202,150
Business-type activities:					
Capital leases	$ 54,973		$ (5,235)	$ 49,738	$ 5,419
Revenue bonds payable	1,886,330		(48,318)	1,838,012	51,393
Less, deferred amounts: Issuance discounts	(21,088)		982	(20,106)	
Business-type activity long-term liabilities	$1,920,215	$ -	$ (52,571)	$1,867,644	$ 56,812

Discretely Presented Component Units

Long-term liability activity for the year ended June 30, 2013 for the Talbot County Department of Public Health was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Compensated absences	$ 16,863	$ 9,168	$ (9,353)	$ 16,678	$ 4,366

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2013 the County doesn't have any interfund balances due to/from other funds.

Interfund transfers for the year ended June 30, 2013 consist of the following:

Transfers Out	Transfers In		
	General Fund	Nonmajor Governmental Fund Types	Total
General Fund		$ 30,206	$ 30,206
Nonmajor Governmental Fund Types	$ 3,845		3,845
Total	$ 3,845	$ 30,206	$ 34,051

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, 2013 was $103,564. Total payroll for the year ended June 30, 2013 was $2,442,495.

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 position 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, 2013, 100% of the landfill capacity had been used and the landfill has no remaining life. The $685,265 reported in the governmental activities long-term liabilities on the government-wide financials as landfill postclosure costs at June 30, 2013 represents the unpaid closure and postclosure costs based upon the most current estimate available, and there is no unrecognized liability at June 30, 2013. 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, 2013 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 POSITION

All funds operated by the County had positive fund balances and net position balances at June 30, 2013.

Both discretely presented component units of the County also had positive fund balances and net position balances at June 30, 2013.

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, 2013, 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 $13,506 to the Authority during the twelve months ended June 30, 2013. 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.

15. PRIOR PERIOD ADJUSTMENTS

At June 30, 2012 a liability for matured note principal and interest payable of $64,945 was reflected on the General Fund Balance Sheet. The liability was paid by the SPLOST fund. Therefore the restated fund balance at beginning of the year was decreased on the SPLOST fund and increased on the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances. This correction of an error doesn't affect the government-wide Statement of Activities.

TALBOT COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue Funds							
	Law Library	E911	Grant Fund	TIA	Jail	DATE	Sheriff Drug Fund	Total Nonmajor Governmental Funds
Assets								
Cash	$ 11,592	$ 100,103		$ 185,226	$ 138,987	$ 21,770	$ 5,906	$ 463,584
Receivable - taxes				38,499				38,499
Receivable - other			$ 69,804					69,804
Total assets	$ 11,592	$ 100,103	$ 69,804	$ 223,725	$ 138,987	$ 21,770	$ 5,906	$ 571,887
Liabilities								
Accounts payable			$ 69,804					$ 69,804
Unearned revenue		$ 89,157						89,157
Total liabilities		89,157	69,804					158,961
Fund Balances								
Restricted for:								
Law library	$ 11,592							11,592
E911		10,946						10,946
Public works				$ 223,725				223,725
Jail					$ 138,987			138,987
DATE						$ 21,770		21,770
Sheriff drug fund							$ 5,906	5,906
Total fund balances	11,592	10,946	-	223,725	138,987	21,770	5,906	412,926
Total liabilities and fund balances	$ 11,592	$ 100,103	$ 69,804	$ 223,725	$ 138,987	$ 21,770	$ 5,906	$ 571,887

TALBOT COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Law Library	E911	Grant Fund	TIA	Jail	DATE	Sheriff Drug Fund	
Revenues:								
Taxes - sales				$ 223,773				$ 223,773
Fine, forfeitures and court fees	$ 2,582				$ 14,457	$ 4,066		21,105
Grants and subsidies		$ 33,017	$ 114,189					147,206
Interest		100			131	20	$ 9	260
Total revenues	2,582	33,117	114,189	223,773	14,588	4,086	9	392,344
Expenditures:								
Current:								
Judicial system	1,609							1,609
Planning and community development			36,529					36,529
Public safety		22,608			34		410	23,052
Public works			80,011	48				80,059
Capital outlay:								
Public safety		10,410					2,370	12,780
Total expenditures	1,609	33,018	116,540	48	34	-	2,780	154,029
Excess (deficiency) of revenues over (under) expenditures	973	99	(2,351)	223,725	14,554	4,086	(2,771)	238,315
Other financing sources (uses):								
Transfers in						17,684	12,522	30,206
Transfers out							(3,845)	(3,845)
Total other financing sources (uses)						17,684	8,677	26,361
Net change in fund balances	973	99	(2,351)	223,725	14,554	21,770	5,906	264,676
Fund balances at beginning of year	10,619	10,847	2,351	-	124,433	-	-	148,250
Fund balances at end of year	$ 11,592	$ 10,946	$ -	$ 223,725	$ 138,987	$ 21,770	$ 5,906	$ 412,926

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - LAW LIBRARY
Year Ended June 30, 2013

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Fines, forfeitures and court fees	$ 2,600	$ 2,582	$ (18)
Total revenues	2,600	2,582	(18)
Expenditures:			
Current:			
Judicial system - Law library	2,600	1,609	991
Total expenditures	2,600	1,609	991
Excess (deficiency) of revenues over (under) expenditures	-	973	973
Net change in fund balances	-	973	973
Fund balances at beginning of year	10,619	10,619	-
Fund balances at end of year	$ 10,619	$ 11,592	$ 973

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - E911
Year Ended June 30, 2013

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Grants and subsidies	$ 33,017	$ 33,017	
Interest	100	100	
Total revenues	33,117	33,117	$ -
Expenditures:			
Current:			
Public safety	22,707	22,608	(99)
Capital outlay:			
Public safety - E911	10,410	10,410	
Total expenditures	33,117	33,018	(99)
Excess (deficiency) of revenues over (under) expenditures	-	99	99
Net change in fund balances	-	99	99
Fund balances at beginning of year	10,847	10,847	
Fund balances at end of year	$ 10,847	$ 10,946	$ 99

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - GRANT FUND
Year Ended June 30, 2013

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Grants and subsidies	$ 117,000	$ 114,189	$ 2,811
Total revenues	117,000	114,189	2,811
Expenditures:			
Current:			
Planning and community development	36,929	36,529	400
Public works	80,071	80,011	60
Total expenditures	117,000	116,540	460
Excess (deficiency) of revenues over (under) expenditures	-	(2,351)	(2,351)
Net change in fund balances	-	(2,351)	(2,351)
Fund balances at beginning of year	2,351	2,351	
Fund balances at end of year	$ 2,351	$ -	$ (2,351)

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - TIA
Year Ended June 30, 2013

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Taxes - sales	$ 224,000	$ 223,773	$ 227
Total revenues	224,000	223,773	227
Expenditures:			
Current:			
Public works	224,000	48	223,952
Total expenditures	224,000	48	223,952
Excess (deficiency) of revenues over (under) expenditures	-	223,725	223,725
Net change in fund balances	-	223,725	223,725
Fund balances at beginning of year			
Fund balances at end of year	$ -	$ 223,725	$ 223,725

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - JAIL
Year Ended June 30, 2013

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Fines, forfeitures and court fees	$ 14,500	$ 14,457	$ (43)
Interest	131	131	
Total revenues	14,631	14,588	(43)
Expenditures:			
Current:			
Public safety	14,631	34	14,597
Total expenditures	14,631	34	14,597
Excess (deficiency) of revenues over (under) expenditures	-	14,554	14,554
Net change in fund balances	-	14,554	14,554
Fund balances at beginning of year	124,433	124,433	
Fund balances at end of year	$ 124,433	$ 138,987	$ 14,554

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - DATE
Year Ended June 30, 2013

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Fines, forfeitures and court fees	$ 4,100	$ 4,066	$ (34)
Interest	21	19	(2)
Total revenues	4,121	4,085	(36)
Expenditures:			
Current:			
Public safety	21,806		21,806
Total expenditures	21,806	-	21,806
Excess (deficiency) of revenues over (under) expenditures	(17,685)	4,085	21,770
Other financing sources (uses):			
Transfers in	17,685	17,685	-
Total other financing sources (uses)	17,685	17,685	-
Net change in fund balances	-	21,770	21,770
Fund balances at beginning of year			
Fund balances at end of year	-	$ 21,770	$ 21,770

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - SHERIFF DRUG FUND
Year Ended June 30, 2013

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Interest		$ 9	$ 9
Total revenues	$ -	9	9
Expenditures:			
Current:			
Public safety	410	410	
Capital outlay:			
Public safety	2,370	2,370	
Total expenditures	2,780	2,780	-
Excess (deficiency) of revenues over (under) expenditures	(2,780)	(2,771)	9
Other financing sources (uses):			
Transfers in	9,000	12,522	3,522
Transfers out	(6,220)	(3,845)	2,375
Total other financing sources (uses)	2,780	8,677	5,897
Net change in fund balances	-	5,906	5,906
Fund balances at beginning of year			
Fund balances at end of year	$ -	$ 5,906	$ 5,906

TALBOT COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
TAX COMMISSIONER				
ASSETS				
Cash	$ 89,071	$ 7,592,022	$ 7,543,693	$ 137,400
Receivables, taxes	17,565	2,381	17,565	2,381
Total assets	$ 106,636	$ 7,594,403	$ 7,561,258	$ 139,781
LIABILITIES				
Due to others	$ 106,636	$ 139,781	$ 106,636	$ 139,781
Total liabilities	$ 106,636	$ 139,781	$ 106,636	$ 139,781
CLERK SUPERIOR COURT				
ASSETS				
Cash	$ 83,471	$ 156,278	$ 194,557	$ 45,192
LIABILITIES				
Due to others	$ 83,471	$ 45,192	$ 83,471	$ 45,192
PROBATE COURT				
ASSETS				
Cash	$ 7,817	$ 193,905	$ 193,719	$ 8,003
LIABILITIES				
Due to others	$ 7,817	$ 8,003	$ 7,817	$ 8,003
MAGISTRATE COURT				
ASSETS				
Cash	$ 547	$ 23,404	$ 23,119	$ 832
LIABILITIES				
Due to others	$ 547	$ 832	$ 547	$ 832
SHERIFF				
ASSETS				
Cash	$ -	$ 17,338	$ 16,480	$ 858
LIABILITIES				
Due to others	$ -	$ 858	$ -	$ 858

TALBOT COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
Year Ended June 30, 2013

Project	Estimated Percent of Completion	Estimated Project Amount	Amount Expended Prior Years	Amount Expended Current Year
Resolution #072498:				
Recreational facilities and equipment	101%	$ 500,000	$ 467,558	$ 33,458
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	17%	$ 2,000,000	$ 299,847	$ 31,352
Public safety facilities	25%	2,000,000	487,592	
Roads, streets and bridge purposes	29%	3,500,000	1,007,392	
Courthouse	27%	1,500,000	404,784	
County Commissioners annex	20%	1,000,000	198,099	
Resolution #070107:				
Roads, streets and bridge purposes	40%	$ 1,200,000	$ 255,091	$ 225,235
Public safety facilities	21%	400,000	71,515	11,797
Recreational facilities and equipment	21%	400,000	20,122	64,809
Courthouse	69%	1,600,000	1,105,039	4,698
Town of Geneva	59%	100,000	47,424	11,776
Town of Junction City	60%	100,000	47,425	12,522
City of Talbotton	59%	100,000	47,424	11,776
City of Woodland	59%	100,000	47,424	11,776
Debt service				664,945
Debt service *				64,945

* See note 15

TALBOT COUNTY, GEORGIA
SOURCE AND APPLICATION OF FUNDS STATUS REPORT
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2013

CDBG 09b-y-130-1-5178:

Total grant	$	574,082
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	$	-
Total program funds drawn down by recipient for the year ended June 30, 2013	$	-
Add, program income applicable to the year ended June 30, 2013		-
Total program funds drawn by recipient and program income for the year ended June 30, 2013	$	-

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

Total grant	$	800,000
Less, total funds drawn down by recipient for the year ended:		
June 30, 2013		(114,189)
June 30, 2012		(16,901)
Program funds available for future draw down	$	668,910
Total program funds drawn down by recipient for the year ended June 30, 2013	$	114,189
Add, program income applicable to the year ended June 30, 2013		-
Total program funds drawn by recipient and program income for the year ended June 30, 2013	$	114,189

TALBOT COUNTY, GEORGIA
PROJECT COST SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2013

Activity	Budgeted Expenditures	Actual Expenditures: Year Ended June 30, 2013	Actual Expenditures: Prior Years	Questioned Cost
CDBG 09b-y-130-1-5178:				
C-022-00	$ 44,110			
P-03K-02	350,625		$ 321,813	None
T-03K-02	1,357		1,357	None
H-14A-01	83,595		34,132	None
H-14A-02	201,373	$ 1,350	96,490	None
A-21A-00	56,000		56,000	None
P-03K-01	62,940		62,940	None
	$ 800,000	$ 1,350	$ 572,732	
CDBG 11b-y-130-1-5346:				
C-022-00	$ 26,940			
P-03K-02	399,797	$ 66,448		None
H-14A-01	197,104	30,782	$ 1,681	None
H-14A-02	120,159			
A-21A-00	56,000	17,960	14,220	None
	$ 800,000	$ 115,190	$ 15,901	

AJK

AJK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Talbot County, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Talbot County, Georgia's basic financial statements and have issued our report thereon dated December 19, 2013. Our report includes a reference to other auditors who audited the financial statements of Talbot County Department of Public Health, as described in our report on Talbot County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings and responses that we consider to be significant deficiencies, as items 13-1 and 13-2.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Talbot County, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 item 13-3.

TALBOT COUNTY, GEORGIA'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

AJK

Manchester, Georgia
December 19, 2013

SIGNIFICANT DEFICIENCIES

13-1 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.

13-2 Controls Over Financial Statement Preparation

Condition and Criteria:	County personnel do not currently possess the skills necessary to prepare the financial statements and related footnote disclosure in accordance with generally accepted accounting principles. This could result in the omission of a material financial statement element or disclosure that might not be detected by management.
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

13-3 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, 2013, 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.